JUNE 1956

The Mortgage Banker

April and May, meeting months for the mortgage business. These spoke in New York.
See page 34 for meeting reports.

MBA — MORTGAGE BANKERS ASSOCIATION OF AMERICA — ORGANIZED 1914

in this issue ———————

SOME AUTHORITIES SPEAK OUT ON TIGHT MONEY ★ REFORMS IN STATE LAWS NEEDED FOR OUT OF STATE LENDING ★ MBA MEETING REPORTS

The Mortgage Banker

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MBA 1956 Calendar

June 24-July 7, School of Mortgage Banking, Courses I, II and III, Northwestern University, Chicago

July 16-17, Educators Conference, University of Colorado, Boulder

July 29-August 11, School of Mortgage Banking, Courses I and II, Stanford University, Stanford, California

October 8-11, 43rd Annual Convention, Conrad Hilton Hotel, Chicago

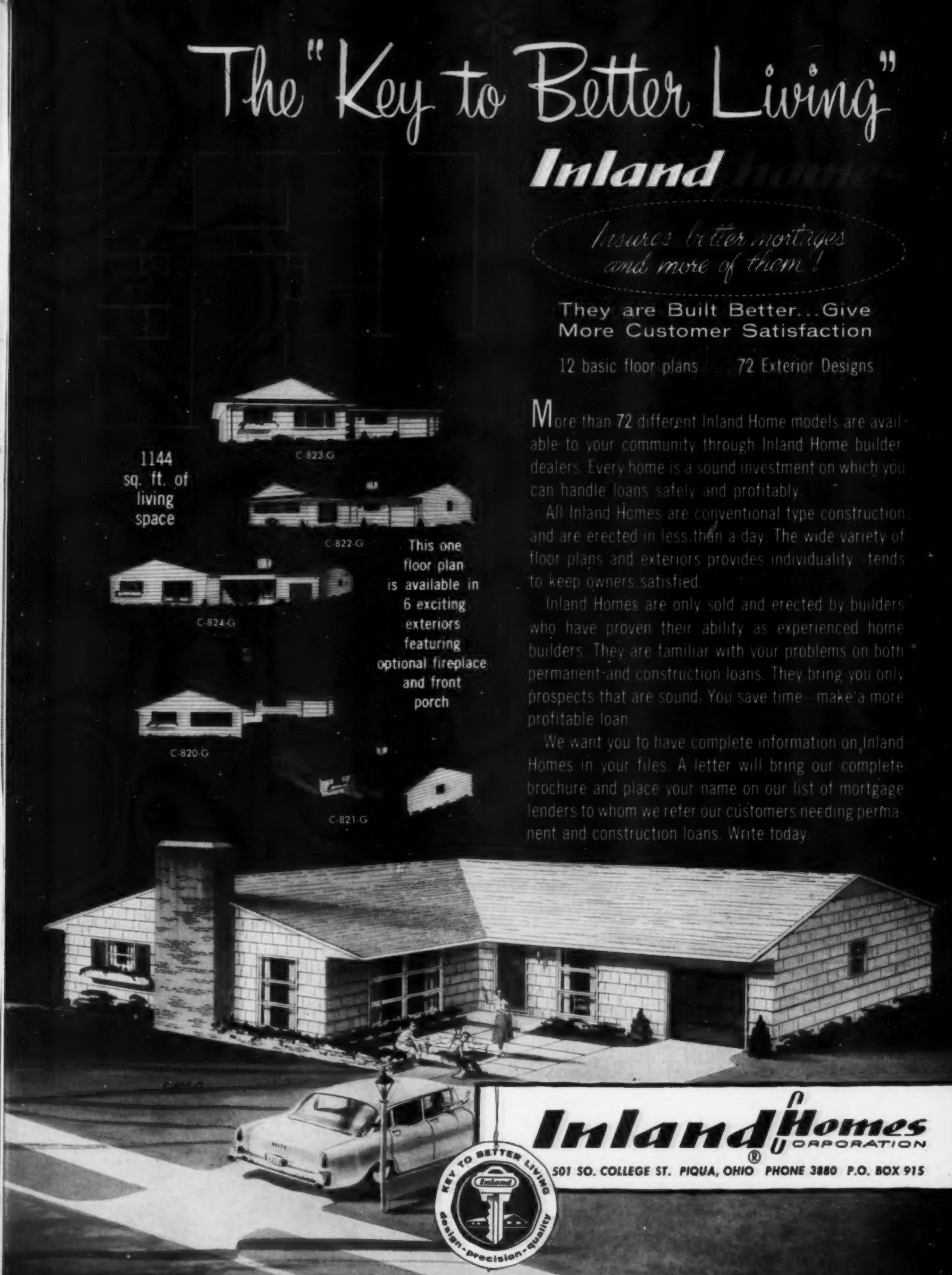
>> MORE INCOME THAN EVER: Median income in the United States is now around $4,000 a year, a third higher than it was as recently as 1950, according to the Federal Reserve System.

The figures show that half of all spending units had a money income of $4,000 or more in 1955. In 1950, about the same proportion of the population fell into the income bracket of under $3,000 a year, and less than a third was in the $4,000 and over class. These figures are before taxes. The following table shows the changes in the five year period by percentage distribution of spending units in broad income brackets:

Money Income	1950	1955
Under $3,000	49%	37%
$3,000 to $3,999	19	14
$4,000 to $4,999	12	14
$5,000 to $7,499	14	22
$7,500 and over	6	13

>> HOME OWNERS GAIN: Home ownership among non-farm households has reached 59 per cent, highest ratio since this data was first collected in 1890, and considerably above the 53 per cent in the 1950 Census. Inclusion of farm households brings the ratio to 60 per cent, compared to 55 per cent in 1950.

Geographically, the greatest increase in home ownership (including farm homes) since 1950 has occurred in the South, which has had an increase in ratio from 53.7 to 60.7 per cent. The North Central followed with an increase from 60.7 to 66.4 per cent. The Northeast went from 48.4 to 52.1 per cent; and the West came last with an increase from 57.8 to 59.8 per cent.


The "Key to Better Living"
Inland
Insures better mortgages and more of them!
They are Built Better... Give More Customer Satisfaction
12 basic floor plans 72 Exterior Designs
More than 72 different Inland Home models are available to your community through Inland Home builder dealers. Every home is a sound investment on which you can handle loans safely and profitably.
All Inland Homes are conventional type construction and are erected in less than a day. The wide variety of floor plans and exteriors provides individuality—tends to keep owners satisfied.
Inland Homes are only sold and erected by builders who have proven their ability as experienced home builders. They are familiar with your problems on both permanent and construction loans. They bring you only prospects that are sound. You save time—make a more profitable loan.
We want you to have complete information on Inland Homes in your files. A letter will bring our complete brochure and place your name on our list of mortgage lenders to whom we refer our customers needing permanent and construction loans. Write today.
1144 sq. ft. of living space
C-823-G
C-822-G
This one floor plan is available in 6 exciting exteriors featuring optional fireplace and front porch
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Slow-Down In Savings Is An Important National Trend

One of the hottest subjects in the economic world at the moment is tight money. Each day some new branch of the economy feels the squeeze in the restrictions which developed suddenly but have already left a deep impression in commerce and finance. The superficial can explain it away by attributing the whole business to the Federal Reserve but the real explanation lies deeper. As Mr. Burgess points out in these observations before members of the National Association of Mutual Savings Banks, we need more savings than are being accumulated to finance the growth of the country. Some of our current demands were being met with bank credit instead of savings and that means, in the end, inflation. Thus, the restrictions have been clamped on; and for the long-term good of the nation, few will question the wisdom of the action.

***By* W. RANDOLPH BURGESS**
Under Secretary of the Treasury

EVENTS of the past year give evidence that, for its long-term growth, the country needs *a higher rate of saving.*

What has happened is that the demand for capital has shown itself to be greater than the supply of capital. The amount of money sought to build houses, to build factories, roads, and public facilities has been greater than even the large amount of savings available for these purposes. As a result, some of the demands for this money have been met from bank credit instead of by savings, and the price of money has risen.

W. R. Burgess

This is, in fact, one of the principal reasons why a threat of inflation has developed and why the Federal Reserve System has raised its discount rates from $1\frac{1}{2}$ per cent a little over a year ago to $2\frac{3}{4}$ and 3 per cent today.

For some years it was popular in this country to talk about our "mature economy." The economists who used this language said that the growth of our country was slowing down, and that we did not need as much capital as in the past. They emphasized the importance of spending rather than saving.

In recent months we have been demonstrating the great capacity of this country for growth. We are building a better America at an exceptionally rapid rate: new houses, new production facilities, new public services. We have disproved the old theory of stagnation because of maturity.

This great progress is based on confidence in our country and in ourselves. It is based on sound government policies. It means more jobs for more people at better pay than ever before.

This prosperity of ours is shared in Western Europe and in many other parts of the world. The great recovery in these countries from the dislocations and distress of war partly reflects generous cöoperative action by the United States.

One reason our own and other countries have gone forward confidently in economic progress is that we feel we have held our own in the cold war. We have increased our striking power to a point where it is a strong deterrent to aggression.

So we have good cause for satisfaction. But history teaches one lesson we must never forget:

» The seeds of future trouble are often sown in times of prosperity. This is the time to examine ourselves to see how we may build better and more firmly for the future, to see how we can avoid trouble.

One major problem is the danger of inflation.

Other countries have the same problem. The Bank of England has raised its rate to $5\frac{1}{2}$ per cent; Canada has gone to 3 per cent; Germany to $4\frac{1}{2}$ per cent. At the Istanbul meeting last autumn of the 58 countries which are members of the International Monetary Fund and the International Bank, there was agreement by all present that inflation *was* a threat.

Inflationary pressures have increased since then.

In this country, steps that the government has taken have been and are being reasonably successful in keeping things on an even keel.

The great increase that is going on in productive capacity—to turn out more goods by more efficient methods—will, in the long run, help to keep prices stable and, at the same time, pay higher wages.

The large savings of the American people are providing money to build this larger capacity, along with more and better homes and public facilities. It is when we rush the spending faster than the rate of savings, and do it too heavily with borrowed money, that we run the risk of inflation.

We have tended to do this in the past year. Home building was a good illustration. We tried to build more homes in early 1955 than we had building materials, building workers, or money available. Therefore, the

(Continued on page 14)

FASTEST GROWING GROUP IN U. S., THOSE 65 AND OLDER

Amid all the conflicting proposals and suggestions for this year's housing legislation, one idea appeared in all of them: do something for the elderly segment of the population. It's the fastest growing group and, it appears, much better equipped to take care of itself than most people suppose. In the past five years the number of those 65 and older with an assured income for life has doubled. About half of them live in their own homes, a majority mortgage-free. More help is ahead in the new law.

THE number of persons 65 years old and over with some assured income for life under a public or private retirement program has doubled in the last five years and now adds up to more than half of the 14 million elderly part of the American population.

A large number of these lifetime income recipients is receiving retirement benefits from more than one source—for example, a private pension and Social Security. In many cases, too, these incomes are supplemented by returns from accumulated savings and investments. A substantial number of elderly persons in addition receives regular incomes under life insurance contracts.

Here is dramatic evidence of progress, through individual and cooperative action, toward realizing one of mankind's oldest aspirations—the elimination of dependency and want in old age. The years ahead are certain to see further gains in this respect as current retirement programs reach fuller maturity and their coverage continues to broaden. Savings in life insurance and in other thrift institutions to provide additional income in retirement years also are growing steadily.

While the great majority of private pension and retirement programs are relatively recent in origin, they are already making a decided contribution toward the financial independence of the older population. This contribution will grow in the years ahead in view of the fact that private plans now cover an estimated 13 million workers, exclusive of dependents, who are accumulating benefits for their retirement years. Currently the number of pensioners (retired workers and their wives) on private retirement rolls is placed at more than a million, about double the number in 1950.

There were about 7¼ million persons 65 years old and over receiving regular benefits under retirement programs in June of 1955. This total was the equivalent of 51 per cent of the 14.1 million persons in this age bracket at that date, topping the half-

way mark for the first time. It compares with just over 3½ million persons 65 and over, or only 28½ per cent of this age group, receiving such benefits at the end of 1950, indicative of the progress made in less than a five-year period.

The great majority of private pensioners also are receiving OASI benefits under Social Security. In all, approximately four out of every five persons 65 years old and over receiving retirement income in the middle of last year were OASI beneficiaries. The others came under railroad and Government employees' retirement plans or veterans' pension and compensation programs.

Little is known about the adequacy of individual retirement benefits. They would vary from person to person anyway. The figures show that more than a million of the elderly retirement income recipients get supplementary income from either earnings or public assistance. Nearly three out of five of these are workers. At the same time, a majority of those 65 and over have income in cash or in kind from savings and other assets. It is estimated that about two-thirds of those 65 and over have some liquid assets, and that about half of those in this age group live in their own homes, the great majority of which are mortgage-free. In fact, return from investments is reported to be the primary source of income for an estimated million persons 65 years old and over.

One of the significant facts with respect to the income sources of the elderly part of the population is the large number who continue to work even though many are eligible for retirement. The growth of the economy in recent years and the expansion of job opportunities have contributed to this. The figures show that approximately four million persons 65 and over had income from employment in 1955. This number has changed little in recent years.

Continued employment opportunities for the elderly are important from the economic point of view as well as for social and psychological reasons. It is estimated that earnings from employment represent close to half of all the money income of the 65 and over group. In 1954, for example, income from this source was placed at $9 billion out of the estimated $20 billion money income of the 65 and over population in that year.

Though progress has been so pronounced, the figures indicate that there is still a core of dependency among the older generation. Last year about 2 million persons in the 65 and over group received their primary support from public assistance. However, the number and proportion of these elderly dependents have been declining.

» **BIGGER FHA HOMES:** American families want and are getting larger homes under the FHA program. For the first time since FHA has been keeping records on the area of typical new homes, the space provided tops 1,000 square feet.

Area of the typical new home on which FHA insured a mortgage in 1955 was a little more than 1,020 square feet. This compared with 838 square feet in 1950 and 924 square feet in 1953. Then in 1954 there was a slight increase to 961 square feet.

The typical house in 1955 was made up of 5½ rooms with 3 bedrooms. The 3 bedroom house was the most popular type in 1954 as well as in 1955 although the 1955 house was slightly more spacious.

The following significant details tell something of the borrower who used FHA financing to buy a new home last year:

» The value of his home was about $11,750 and he had an FHA insured mortgage of slightly over $10,000. On the mortgage he made monthly payments of $74.

» Total monthly housing expense incurred by the buyer of a new home under the FHA plan includes, in addition to his mortgage payments, the cost of water, gas, electricity, fuel and maintenance. FHA estimates the typical housing expense of this new home buyer last year was $96 a month.

GOODS AND SERVICES, NOT THE PAYROLL, No. 1 U. S. EXPENSE

While the cost of government continues to mount, with halts here and there, the purposes for which government expenditures are made have changed drastically. Goods and services—not payroll—are now the principal items of expenditure. And it's no news that more than half of the present U. S. payroll is for the military.

THE character and composition of government spending has shown a marked change in recent years with the purchases of goods and services from business moving up to occupy the No. 1 expenditure spot formerly held by the public payroll.

Last year, for example, the federal government spent around $28 billion on such purchases, or 42 cents of every dollar of U. S. spending for the year. Even higher totals and proportions are found in prior years over the last decade and a half. As against this, the entire payroll of the federal government, military and civilian combined, came to an estimated $17½ billion for 1955, or about 26 cents of every dollar of federal spending for the year. More than *half* the current U. S. payroll is military.

Back in 1940 and before, the public payroll generally represented the biggest slice of the federal spending pie. In 1940, for instance, payroll represented 35 cents of every dollar the federal government spent during that year and purchases of goods and services added up to the equivalent of 26 cents. The comparable proportions for 1929 were 33 cents and 16 cents.

This shift in the composition of government spending largely reflects the international situation of recent years and the need for continued large defense outlays under current conditions. The figures show that the bulk of federal purchases comes under the national defense classification.

But the impact of inflation is apparent also, in what purchases cost now as compared with before. In fact, the changed composition of expenditures has made the federal budget increasingly sensitive to inflation. This is a matter of particular concern now in view of mounting inflationary pressures and fears of a wage-price spiral.

Over the last decade and a half, total federal spending rose from just over $10 billion in 1940 to an estimated $67.5 billion in 1955, or close to seven times. The 1955 figure, incidentally, was not the highest in the period. It was substantially exceeded in the 1952-54 period, and during World War II.

The total Federal payroll in 1940 was $3.5 billion. The comparable figure last year, including the payroll of the armed forces, was about $17½ billion, or just five times as big. During this period, federal purchases of goods and services rose from $2.6 billion in 1940 to more than $28 billion in 1955, or practically eleven times.

Other areas of federal spending have also shown a big increase over the last decade and a half. Reflecting the spectacular rise in the public debt, net interest paid by government is now close to the $5 billion annual level as against less than a billion dollars in 1940. And the classification of transfer payments, largely social and veterans' benefits, has risen from $1.4 billion to over $12½ billion in the period.

Expenditures by state and local governments also have been rising, especially in the last few years, to meet the school, road and other needs of our rapidly expanding population. However, the growth over the last decade and a half has been far behind that of the federal government. Combined state and local expenditures added up to just under $8½ billion in 1940. For 1955, they were estimated at $30 billion, or about three and one-half times as great. By contrast with the shift in the composition of federal spending, payroll continues to be the biggest single element in state and local budgets.

Total expenditures at all levels of government (federal, state and local combined) came to an estimated $97.5 billion in 1955, third highest on record, and were the equivalent of a quarter of the entire gross national product for the year.

SLOW-DOWN IN SAVINGS

(Continued from page 8)

cost of building rose 4 or 5 per cent. The steps that were taken have brought that particular situation into balance.

Some people have said that we are going into debt faster than we are saving. That is not true. Americans set aside about $17 billion of their income last year rather than spending it. Almost $2 billion of this total represents increased deposits in saving banks. Savings and loan shares rose by $5 billion, and almost $4 billion went into checking and savings accounts in commercial banks. Another $2 billion went into United States government securities and over twice that amount into corporate stocks and bonds and the obligations of state and local governments.

In addition, individuals added $6 billion to the value of their insurance last year. They put close to $30 billion into the purchase of homes and the plant, equipment, and inventories of unincorporated businesses and farms. Even when you allow for the increases in mortgages, consumer and business debt that individuals incurred during the year, and for property depreciation which is constantly taking place, individuals' savings still added up to about $17 billion in 1955.

In spite of this remarkable record of savings last year, however, individuals saved a little less than in 1954, which in turn was a little lower than 1953. Personal savings are accounting for only about 6½ per cent of our income after taxes now, as against an average of about 8 per cent in other recent years.

This is disturbing and is a further indication that we are not saving today quite enough to finance the rapid rate of growth of which we are otherwise capable. We need to develop thrift and encourage it by attractive rewards.

One of the ways your government is trying to keep the economy in balance — to assure the continued vigorous growth of the country without setbacks—is to bring the budget into balance.

In late 1952, Mr. Eisenhower said that his goal was to bring the budget into balance within four years. We are doing it a little faster than that. This year we shall have a balanced budget as against an inherited $9½ billion deficit in the year we took over. We shall have a balance again next year, if the citizens keep on the pressure against unnecessary spending and the world situation continues to improve.

Taxes have already been reduced by $7½ billion as an incentive for increased enterprise and increased savings.

In the long run, if we can keep government spending under control, can keep on giving the people confidence and incentives, the continuing growth of the country should make our military burdens easier to carry and we should be able both to make reductions in the public debt and gradually to reduce taxes further.

The other proved mechanism which we have for helping to keep our economy in balance is the Federal Reserve System. This Administration is opposed to trying to manage the country by direct controls over wages and prices and commodities. One of the first things the Administration did in 1953 was to abolish the remaining wartime price and wage controls.

But we do believe in the traditional

and more general influence of central banks over the supply and price of money. In 1953, we pledged that the Federal Reserve System would be free to exercise the functions given them by law to influence the credit supply in the public interest. The success of the System depends on the understanding and cooperation of the nation's financial institutions.

I know, from long personal experience the problems in running a bank, whether it is a commercial bank or a savings bank, when money is as tight as it is today. It is most gratifying to see the wisdom with which the banks are working in harmony with Federal Reserve policy to see that all sound and legitimate needs for credit are met while less essential demands are deferred or reduced.

It gives us grounds for confidence that we can weather this period of adjustment without serious difficulty.

We are looking to the savings institutions of America to help further the dynamic growth of our nation through the encouragement of greater individuals' savings. If individual investors in savings bonds and in all other forms of saving respond as we hope, we may look forward to financing — without inflation — the steady, sure, and rapid advance in the economic well-being of our people.

>> FHA TRADE-IN: Homeowners will find it easier to trade their present homes for new ones under revisions in FHA's trade-in program. By making interim financing more readily available, the new plans will enable an owner to apply the equity acquired in his old house as down payment for a home that better meets his present needs.

Not only builders but others such as real estate firms and land developers will be able to take title to the former homes with interim financing arranged under FHA's liberalized "trade-in house" program.

A previous requirement that major improvements be made in the home taken in trade will be cancelled by directives to be issued soon. The only requirements which must be met will be those designed to assure that the property meets FHA standards of soundness and livability.

Improved operations and added personnel in the field offices, permitting prompt handling of applications for mortgage insurance, will serve to expedite the trade-in transactions.

More liberal financing can be arranged for traded-in homes which were approved for FHA mortgage insurance prior to the beginning of construction, the Commissioner pointed out. FHA field offices will give every assistance in determining whether or not the property qualifies for the larger loan amount by virtue of having benefited from FHA inspections during construction.

Under the law, the individual or firm taking a traded-in property can finance the transaction with an FHA-backed mortgage up to 85 per cent of the amount an owner-occupant can borrow on the same property. The maximum loan permissible on a traded-in property is $17,000, and only one and two-family structures are eligible for this type of interim financing, FHA officials noted.

FHA Commissioner Norman Mason said, "We have been studying the trade-in house situation and, with help from advisory groups of builders and real estate men, we believe we now have a workable answer."

The Money Situation and A Comment on Housingitis

By Dr. E. Sherman Adams

Chief danger of the future, says Dr. Adams, is over-spending—an observation for which he can enlist widespread support at this particular time. Since 1949, about one-third of the increased spending in the U. S. has been financed by additional money created through the banks and the other two-thirds by the sharp rise in money velocity. Dr. Adams believes this is a time for caution and careful stock-taking as far as our monetary affairs are concerned, and cites his reasons. He first set forth these expressions of opinion at the AIB in Providence. He is deputy manager of ABA in charge of its Department of Monetary Policy.

WHEREVER we turn these days, we find a Situation—international, political, economic, or what-have-you. One of them — a pretty important one right now—is the Money Situation.

Analyzing the Money Situation is simply one way of viewing the entire economic scene. Some people think that it is a myopic view, that we should think in terms of resources and human well-being, rather than in terms of money. This is an appealing idea but it so happens that ours is a monetary economy. Money is our economic lifeblood, and the pulse of our economy can best be measured in monetary terms.

What can be said about the Money Situation as of early 1956? Is the condition of money and credit sound in all major respects, or are there perhaps some aspects that should give us concern?

It is a good time for such a stock-taking. We are now having a respite from the acute inflationary pressures of 1955. No one knows how long this period of transition will last or what we are transitioning into. Some believe that before long our economy may again take off on the upside and that we will then enter into the final and perhaps explosive phase of this most prolonged boom in our history.

In a word, maybe this is 1927.

Assuming an upturn, what dangers should we guard against to prevent this biggest boom from leading to a depression?

A friend of mine recently suggested that a society should be organized for the protection and preservation of the business-cycle economist. Otherwise, he pointed out, this strange bird may soon become extinct.

I belong to this dwindling species which has, as its distinctive characteristic, the quaint notion that the business cycle is not dead. Its members believe that prosperity cannot yet be classed with death and taxes as one of the inevitabilities of life.

In many circles today, this view is regarded as neolithic. The emphasis is on the built-in stabilizers of our shiny "New Economy," and little attention is paid to the built-in destabilizers of the business cycle.

Everyone is aware of the many ways in which our economy has now become more stable than it used to be; and we may be prepared to grant that we have today more knowledge and better weapons for combating instability. But these factors do not add up, at least not in my book, to a depression-proof economy. The date of the end of our last New Era was 1929.

So, if you are willing to concede the possibility that the Perils of Prosperity may be somewhat less outdated than the "Perils of Pauline," let us examine what these perils may consist of, assuming a revival of the boom.

From a monetary standpoint, the chief danger for the future may be summed up in a single word: *over-spending.* If the flow of money through our economic system accelerates too fast, it can lead to a period of deceleration, a period of reduced spending that would spell a shrinkage in employment and production.

Over the past decade, spending from current income has been vastly augmented by spending from borrowings. Debt has increased much faster than income. A further rapid rise in debt over the years ahead could lead to serious trouble.

Debt expansion is especially dangerous when it outruns the supply of credit available from current savings to such an extent that it results in an excessive use of bank credit. This causes an inflation of the money supply that undermines economic stability.

Increased spending can result from an acceleration in the velocity of money turnover. The flow of money depends not only on the quantity of money but also on the rate at which it is spent. Money velocity usually accelerates during a boom and thereby contributes to overspending. Since 1949 about *one-third of the increased spending* in the United States has been financed by additional money created through the banks and about two-thirds has been financed by the sharp rise in money velocity.

These two factors affecting the volume of money spending, fluctuations in debt and the rate of money turnover, are closely interrelated. Rising demands for credit may activate dollars previously inactive and inject them into the spending stream—as, for example, when corporations purchase treasury obligations or commercial paper. Also, many business men who are forced to borrow may operate with a minimum of cash in order to keep down the amount of their borrowings. The evidence suggests that in recent years debt expansion has not only caused an increase in the volume of money but has also contributed to the acceleration of its rate of turnover.

In analyzing the Money Situation, therefore, we must take into account not only the relationships among debt, savings, and bank credit but also the factor of money turnover.

Looking at the debt picture in perspective, it is clear that our chief concern today is with private, rather than public, borrowing. Over the past decade, there has been little change in net public debt, whereas private indebtedness has expanded enormously—considerably more than the wartime increase in the federal debt. If the boom is renewed, this is where further credit expansion would be concentrated—with individual and business borrowers.

About half of the rise in private indebtedness has been in personal debts. A goodly chunk of this has taken the form of instalment credit. What is not so generally realized is that borrowing for consumption purposes has been much larger, especially over the past year, than the consumer credit statistics indicate.

During 1955 more than half of the \$16½-billion increase in mortgage debt was on *old* housing—not new homes but houses already in existence. The second mortgage rides again, and its use is not confined to home repairs and modernization. The evidence strongly suggests a rapidly growing tendency on the part of many people to increase their mortgages in order to spend more for current consumption. This monetization of inflated real estate values is hardly an encouraging portent.

Consumer borrowing is financed to a large extent, either directly or indirectly, by bank credit and therefore affects the money supply. It may also influence the rate of money turnover. There is no blinking the fact that wide swings in the volume of this type of indebtedness can have an unstabilizing impact upon our economy.

The experts seem to agree that consumer debt is not likely to rise much during 1956. It is significant, however, that automobile manufacturers have embarked upon vast programs for enlarging their productive capacity. These expansion plans suggest the possibility of a further ballooning of instalment debt in the not-too-distant future.

Over the past decade, the growth of mortgage debt has been truly spectacular—about *four times* as large as the increase in instalment credit. Some slowing down is predicted for 1956. Even so, it is generally expected that the rise in mortgage debt this year will be more than twice as large as the record expansion in instalment debt during 1955. It may be that the forecasts do not give enough weight to the new tendency, already mentioned, of adding to the mortgage on the old homestead.

One of the disquieting things about the increase in mortgage debt is that it has not been financed entirely from current savings, as it ought to be. Especially over the past year and a half, a substantial volume of commercial bank money has been flowing into the mortgage market. This is reflected not just in the banks' mortgage portfolios but also in their warehousing and construction loans and their holdings of obligations of FNMA and the Federal Home Loan Banks. In addition, inflation in housing has doubtless contributed to the increased velocity of money turnover.

Government policies with respect to housing have been partly responsible, of course, for the swelling of mortgage debt. In this country, as in many others, housing has today become a magic word. It has a built-in halo. One can no more be against housing than one can be against motherhood. In fact, housing is the more sacred of the two because some countries have at least decided that motherhood can be overdone, but

HOUSINGITES: A new species has emerged on the scene: the housingite. His credo consists of two simple propositions: That housing should always be stimulated more no matter what, and that those who disagree are antisocial. Housingites are not concerned about economic consequences. They do not even seem to be much interested in what happens to housing costs. The stimulation of housing in recent years has clearly contributed to the 28 per cent rise in construction costs since 1947-49. This means that home owners have been forced to pay more than they otherwise would have paid to acquire or to modernize their homes. They have received less housing, rather than more, for their money. This is naturally a matter of concern for those who sincerely desire to see the American people enjoy more and better housing. It makes little or no impression, however, upon the housingites.

they have not yet learned this about housing.

Indeed, a new species has emerged: the housingite. His credo consists of two simple propositions:

» That housing should always be stimulated more no matter what, and

» That those who disagree are anti-social.

Housingites are not concerned about economic consequences. They do not even seem to be much interested in what happens to housing costs. The stimulation of housing in recent years has clearly contributed to the 28 per cent rise in construction costs since 1947-49. This means that home owners have been forced to pay more than they otherwise would have paid to acquire or to modernize their homes. They have received less housing, rather than more, for their money.

This is naturally a matter of concern for those who sincerely desire to see the American people enjoy more and better housing. It makes little or no impression, however, upon the housingites.

Housingitis is an economic inflammation that develops when a people tries to eat too much of its cake and build too many houses with it at the same time. Look abroad and you will find many countries—Great Britain and Sweden, to cite two examples—where housingitis has become a major inflationary threat. These countries have simply gone further along the same road that we have been traveling in recent years.

As for the future, there is little sign of any abatement of private and political pressures on government to stimulate residential construction. Excessive stimulation over the period ahead could further inflate construction costs. It could also result in diverting too much of the available supply of credit into the mortgage market, thereby intensifying the pressure on the money supply. It would lead eventually to a degree of saturation in the housing market that would bring about a drop in real estate values and a sharp decline in residential construction.

In short, spending based on real estate credit could become a menace to the stability of our economy.

Now look at the other big segment of private indebtedness: business borrowing. Business demands for credit in recent years have been strong and have been met to a large extent by the commercial banks.

The rise in business borrowing has not been as great as might have been expected in view of the extent to which business volume has expanded. The answer is that business concerns have been using their cash balances more intensively. Since 1949 the sales volume of all domestic corporations has skyrocketed by 50 per cent, but holdings of cash have risen only 17 per cent. In other words, the volume of sales per dollar of cash on hand has increased about 28 per cent. This accounts for much of the acceleration of the overall velocity of money turnover.

It seems apparent that a renewal of the boom would mean a substantial increase in business demands for credit. The magnitude of the increase may depend in large measure upon what happens to the velocity of money.

OVER-SPENDING: From a monetary standpoint, the chief danger for the future may be summed up in a single word: over-spending. If the flow of money through our economic system accelerates too fast, it can lead to a period of deceleration, a period of reduced spending that would spell a shrinkage in employment and production.
Over the past decade, spending from current income has been vastly augmented by spending from borrowings. Debt has increased much faster than income. A further rapid rise in debt over the years ahead could lead to serious trouble. Debt expansion is especially dangerous when it outruns the supply of credit available from current savings to such an extent that it results in an excessive use of bank credit. This causes an inflation of the money supply that undermines economic stability.

Looking at the debt picture as a whole, we can hardly escape the conclusion that there are serious danger signs. In the past, the swings of the business cycle have invariably been accompanied by overexpansion of debt followed by contraction. If the boom revives, we shall again be confronted with this recurring problem.

There are other potential dangers. One possibility is that wages may be boosted too rapidly. Another is that business concerns may follow high price policies to finance larger payrolls and expansion programs.

During a boom, there is naturally a temptation for both trade unions and business management to take undue advantage of their opportunities to profit from the strong demands for their products. Evidence of this has not been lacking in recent years. If the boom is renewed, wage policies and industrial price policies could become seriously unstabilizing factors.

These policies have an important impact, of course, upon the Money Situation. In recent years, they have been reflected more in the rise in the velocity of money turnover than in money expansion.

Perhaps we should now take a closer look at this matter of money velocity.

The rise in money velocity simply means that individuals and business concerns now hold less money than they used to hold in relation to their greatly increased volume of money spending. Fewer dollars are dormant. In general, money is being handed around faster, being made to do more work. Since 1949 the average rate of turnover of all privately held demand deposits has increased by roughly 40 per cent.

If money velocity continues to accelerate at this pace over the period ahead, it clearly may contribute to boom and bust. On the other hand, there are some indications that much of the slack in the money supply has now been taken up and that the rise in velocity may be starting to taper off.

Unfortunately, however, even if this should happen, it would not solve the situation because under boom conditions the chief effect would be, I believe, a substantial increase in demands for credit.

Take business concerns, for example. Business men cannot continue indefinitely to do an increasing amount of business relative to their cash on hand. Sooner or later they are bound to reach the limit to their ability to stretch their cash balances over a rising volume of transactions. In fact, the surprisingly strong demand for business loans in recent months may be in part a manifestation that some business concerns are reaching the bottom of the barrel in this respect and that in the future they will have to operate more on credit.

What about individuals? Their cash balances have also been declining in relation to their expenditures, and this too cannot continue indefinitely. When their cash runs low, many people may decide to borrow more money so they can keep on keeping up with each other. Again, the rise in mortgage debt on "used" housing over the past year may be in part a manifestation that many individuals are scraping the bottom of their money barrels too.

It seems probable, therefore, that if we start booming again and if the rise in money velocity does slacken, there would be a strong tendency for debt to increase rapidly, much more rapidly than savings, and that, as a result, there would be heavy demands for more bank money.

In other words, the rise in money turnover has for a number of years been financing much of the increased demands for more money and has thereby cushioned the pressure of these demands on the money supply. If it should slow down when the economy is booming, the pressure to expand bank credit would be intensified.

If these inflationary possibilities we have mentioned do materialize, they may be accompanied by rising prices. A further rise in the price level at this stage of the boom could have ominous implications.

Unfortunately, this is not widely understood. Many people have fared quite well over the past decade despite the rise in living costs. This being the case, they are not much concerned about price increases and fail to see that further price inflation might be very damaging to themselves as well as every one else. This complacency is in itself a danger.

A further rise in prices over the next few years would probably reflect an accentuation of the imbalances in our economy. In addition, it would tend to intensify and prolong these maladjustments. It might also encourage excessive speculation in various markets. In short, it would enhance the possibility of a serious recession.

These, then, are some of the threats that may confront us over the period ahead. The question is: What should be done about them?

Our first line of defense, of course, would be a restrictive monetary policy. The record of monetary policy in recent years has been so good that some people have again come to believe, as they did in the Twenties, that the federal reserve authorities can assure economic stability. Experience has indeed demonstrated that monetary policy can play an important role, but it is questionable whether it can single-handedly cope with the pressures that may lie ahead.

For example, the monetary authorities clearly cannot regulate the velocity of money. If money turnover should continue to rise sharply, they theoretically might offset its impact by forcing a reduction in the quantity of money. In actual practice, however, this would be a very difficult thing to try to do. It would mean a "credit squeeze" the like of which this country is not prepared to see.

On the other hand, if money velocity stops accelerating, the monetary authorities may be confronted with insistent expansionary pressures on the money supply. Could they, as a practical matter, effectively restrain these pressures?

Under these circumstances, Federal Reserve policy might be seriously handicapped by monetary illiteracy. Although there is considerable acceptance of flexible monetary policy as a theory, many Americans do not understand how credit restraint works and are inclined to be suspicious and critical of it in actual operation. Demagogues and special interest groups have few scruples and little trouble in stirring up opposition to it.

One reason, no doubt, is that in this country we have no balance of payments problem hanging over our heads like a sword of Damocles. In countries like Great Britain, inflationary trends are quickly and obviously reflected in balance of payment difficulties; and the public more readily sees the need at times for heroic monetary measures. In the United States, the immediate effects of inflation are more seductive; and the ultimate destabilizing consequences are less easily discerned.

Another limitation of general monetary policy is that its influence on some important types of credit is so remote. During 1955, for example, the reserve authorities pursued an increasingly restrictive general credit policy; but this did not prevent a progressive relaxation of the terms of instalment credit.

Moreover, governmental policies affecting real estate credit may complicate the task of the monetary authorities. When these policies are aimed at stimulating the use of credit, it obviously makes it more difficult for the Federal Reserve to hold total credit expansion within bounds.

Finally, Federal Reserve policy cannot prevent too rapid increases in wages nor can it offset their inflationary impact. It may have some influence on the atmosphere in which wage negotiations take place but only to a limited degree. Wage settlements reset the valves that control a substantial part of the money flow through our economy. If the valves are opened too rapidly, the monetary authorities cannot tighten other offsetting valves without risking a recession.

We cannot expect the federal reserve authorities to do this stabilizing job alone. Their efforts will require supplementation. I suggest six ways in which they should be reinforced:

» We should do all we can to educate people with respect to the importance of credit restriction during a boom. To be fully effective, federal reserve policy requires enlightened public support or at least tolerance.

» Prudence will be called for on the part of bankers and other lenders as well. We should guard against a deterioration in the quality of credit which often develops late in a boom and accentuates the ensuing difficulties.

(Continued on page 25)

President's Page

THE SIGNIFICANCE OF MBA'S POLICY STATEMENT

As this is written, the Senate has passed the Housing Bill. Probably the two most significant features of it are the authorization of 135,000 public housing units a year and an extension of the G.I. legislation for only one year. Liberality in public housing has become almost traditional with this body; thus, after the House gets into the legislation, it is at least questionable whether anything like this amount will remain. From all indications, then, it would appear that what will emerge in the final legislation in 1956 will not bear too much resemblance to what has been proposed in this field during the past eight months—and these earlier proposals certainly represent some of the most radical suggestions seen in many years.

What has been particularly interesting to me recently is to see at first hand the really effective influence which a well-conceived and reasonable set of principles can exert. I am referring of course to our own Statement of Policy. All members received—and I hope gave careful consideration to — this Association Statement incorporating our views of every undertaking in which government participates with our industry. Every member of Congress and every important agency official received a copy. That the Statement received careful consideration is clearly indicated by the responses I have received.

Lindell Peterson

What is important for us is that we have refrained from criticism unless we had something constructive to offer. That factor alone is a distinction of which our Association can be proud; we have attempted to destroy nothing, or even to change anything unless we had a better plan to replace it.

But what is equally as important are the long-term benefits sure to accrue from this Statement of Policy. In it, as I have said, we have set forth a constructive point of view in every area in which our industry touches the governmental side. The national legislature will not, in its final bill, pass a law incorporating all of our recommendations by any means. But I feel sure that the principles which we have enunciated has been a real accomplishment nevertheless. In it, for instance, we have incorporated a strong plea for the necessity of freely-moving interest rates. We did not get it; but the soundness of our position has, I feel confident, become more widely appreciated. In time, it will become even more widely recognized. We indicated our view that FNMA should be maintained as an instrumentality of last resort in the secondary mortgage market—and not an agency to make credit easier and subsidize special-purpose programs at sub-market interest rates. That position is sound; eventually it will prevail. We gave unstinted support to VHMCP, and the attacks to kill this effort have subsided. Something tangible was accomplished here. We reiterated our contention that FHA should have flexibility in allocation of income, be permitted to vary insurance premiums in accordance with its judgment of risks—in short, that this agency should be re-constituted according to its original conception. Eventually this too will come about, I believe.

As to FHA, I should like to make special mention of one meeting which may well prove to be the most important of all those I have attended in recent months.

On May 2, Mr. Rouse, Mr. Bass, Mr. Neel, Mr. Colean and I met in Washington with FHA Commissioner Mason, at his request, to discuss those parts of MBA's Policy Statement which deal with FHA's operations. We had a full and frank discussion which is, after all, the starting point of almost any progressive effort in simplifying operations and determining future policies.

And on through every area in which private mortgage enterprise works in cooperation with the federal government we have offered sound, reasonable constructive changes that are in the public interest and would mean greater efficiency and more economy.

What we are fighting for is worth the effort. The things which we believe could be improved have been a long time in the making. It will take time —and work—to correct them.

Lindell Peterson

PRESIDENT

Needed Now: Uniform Laws For

As of December 31, 1946, the end of the first full year following World War II, the mutual savings banks of this country had only 23.8 per cent of their assets invested in mortgages. This represented an investment of approximately $4,435,000,000. Because of legal restrictions which limited the investing powers of mutual savings banks to mortgages on properties in their own or adjoining states, their investment funds could not find their way out of the New England, the Middle Atlantic and a few isolated states along the Northern tier of the United States.

With the breaking of this legal log jam in 1949 and 1950, when appropriate legislation was passed in New York and other states permitting mutual savings banks to invest in GI and FHA loans on a nation-wide basis, the investments of savings banks in mortgages began to rise substantially. At the end of 1949, our banks had 30 per cent of their assets invested in mortgages for a total investment of $6,473,000,000. At the end of January of this year, the ratio of mortgages to assets of all savings banks had risen to 55.4 per cent and now, in the aggregate, we have about $17.5 billion invested in mortgages, an increase in dollar amount since 1946 of about 294 per cent.

Earl B. Schwulst

The funds that have been made available for this tremendous increase in mortgage investments have come from three principal sources, namely, the liquidation of government securities in the portfolios of savings banks, substantial increases in new savings and funds generated through amortization and pay-offs. The increase in mortgage investments of mutual savings banks over the past 10 years has exceeded the accumulation of net new savings deposits by about $1.5 billion, or 13 per cent. At the end of 1946, the mortgage investments of all mutual savings banks aggregated $4.4 billion. These investments increased to $17.3 billion by the end of 1955, an increase of $12.9 billion. During this same period, the aggregate savings deposits of these banks rose from $16.8 billion to $28.2 billion, an increase of $11.4 billion.

Thus, the mutual savings bank industry can truly be said to have *given its all* to mortgage lending in the last 10 years. We are in the business of attracting thrift deposits. You could hardly expect us to do more than invest 113 per cent of our new deposits in mortgages!

The generation of available investment funds through amortization and pay-offs is becoming increasingly important. For the past few years, taking mutual savings banks as a whole, the aggregate of amortizations and pay-offs has run in the neighborhood of 12½ to 13 per cent of the gross amount of mortgages at the opening of each year. If this trend continues, it means that this year mutual savings banks will have to invest about $2¼ billion merely to maintain their portfolios at the levels which obtained at the beginning of the year. Stated somewhat differently, if the mutual savings banks in 1956 are to increase their mortgage portfolios by the same amount as they were increased in 1955—that is, by about $2.4 billion—they will have to invest approximately twice that amount in new loans to offset the reduction in those portfolios which they will sustain through amortization and pay-off. Probably these requirements will be met out of commitments made in 1955 which are presently outstanding. The extent to which additional commitments for delivery during 1956 may be available will depend entirely upon any unanticipated net increases in savings that may develop during the year.

The net accumulation of new savings last year was somewhat less than it has been in recent years. The competition for the individual's dollar is keen. With repayments of over $31 billion in the installment consumer credit field last year, it is not surprising that uncommitted income, the source of true savings, should have suffered somewhat. However, I feel confident that savers have not and will not desert the thrift institutions. Judging from our own experience in the first three months of this year, people still want to save. Thus I am hopeful that in the foreseeable future mutual savings banks will be in a position (as a result of amortizations, pay-offs and new savings) to continue their proportionate investment in the national mortgage market. If the savings banks have the necessary funds, the only question will be whether they will place them in mortgages or in other types of investment. If the spread between the yield on mortgages and that on governments and high-grade corporates remains at or near present levels, I foresee little likelihood of the available funds being diverted away from the mortgage field. In short, I am optimistic as to the future of mortgage lending and our role in that future.

There is one facet of the mortgage problem which has been troubling me ever since we were indoctrinated—some 7 years ago—into the occult mysteries of out-of-state lending.

Housing is no longer a matter of purely local importance. In the past 20 years it has emerged from the local level and has become a matter of dominating importance in national economic policy. In recognition of this fact, Congress enacted the National Housing Act and later the Servicemen's Readjustment Act, which gave home mortgages, if FHA-insured or VA-guaranteed, a uniform investment quality regardless of the location of the underlying security. This, in turn, made it possible for mortgage investment funds to flow from the great centers of capital in this country to all states and even to Puerto Rico, Alaska and Hawaii. Later came the enactment of state laws, permitting mutual sav-

or Out of State Mortgage Investing

By **EARL B. SCHWULST**

President, The Bowery Savings Bank, New York

The proposition which Mr. Schwulst submits here is a simple one: that it is in the best interests of every state to encourage the in-flow of investment capital to finance home building providing local interests are protected; and that, since this is true, then every state ought to facilitate that in-flow and see that out-of-state investors are not unnecessarily burdened in their lending operations or forced to take unusual risks. It is an objective much to be desired; and Mr. Schwulst suggests that MBA is the group which could and should take the lead to attain it. As it is now, the out-of-state lender works in a maze of conflicting laws, no two states having exactly similar legislation, some are extremely burdensome while others have been modernized to meet the needs of the times. It is a challenge for the industry, and certainly something that is sorely needed.

ings banks to invest in mortgages in states other than their home states if such mortgages were insured or guaranteed. FHA and GI mortgages truly have become articles of interstate commerce. Nevertheless, the ability of private enterprise to finance housing production at satisfactory levels continues to be questioned in many quarters. Likewise, the ability of private enterprise to maintain an orderly market for government-underwritten mortgages without additional federal intervention is constantly being questioned both in congress and elsewhere. I believe that these questions result in part from the fact that capital does not flow with unrestricted smoothness across state lines. Although the government-underwritten mortgage has become an article of interstate commerce, its progress across state lines is still hampered by the diverse, inconsistent and, in many cases, meaningless requirements of the state laws with which it must conform. Some practical answer to this problem must be found before mortgage lending can be said to have reached maturity as an interstate business.

Since I am not a lawyer, I am not going to attempt to analyze in detail the many legal problems that we must constantly keep in mind in out-of-state investing. But let me review for you some of the inconsistencies in state requirements which face us—and which condition our activities in out-of-state lending. As you know, our major problem is to so conduct our mortgage investment operation that we will not be deemed to be "doing business" in any state (other than our home state) where we are purchasing mortgages. The frustration of trying to do business without "doing business" should be obvious to anyone. However, if we are "doing business" in certain states we may be denied access to the courts of those states, if it becomes necessary to enforce our mortgage, and we may be subjected to local taxation and to severe penalties. This could mean the complete loss of our investment. In some states, these disabilities can be avoided by qualifying and in some states qualification may increase the likelihood of taxation.

But let me be a little more specific.

In some states, it is necessary for us to qualify as a foreign corporation. This means we must file appropriate copies of our charter and by-laws, pay a license fee, designate a local agent for the service of process and comply with other legal formalities. In other states we are not permitted to qualify even if we should want to. In still other states we are permitted to qualify, but either our counsel or local counsel entertains serious doubts as to the advisability of qualification.

Then there are questions concerning the filing of franchise and income tax returns. In some states we are required to file tax returns, even though we are not taxable on the income from our investments. In other states we are required to file a return only if we realize income from foreclosed property. In some states we must pay a minimum tax whether we have income or not; in other states we pay none. In some states, if we operate foreclosed property pending conveyance to the governmental agency, we are required to file a tax return and pay a tax. In at least one state we have been advised that if we operate any property pending conveyance to the FHA or VA, we will probably be taxable upon all other foreclosed properties held at that time, whether operated or not.

With respect to certain items of personal property, such as refrigera-

tors, which are sold as a part of a "packaged home," there is a bewildering variety of rules as to what is necessary in order to create and maintain an effective lien. In some states it is sufficient to reflect the item of personal property in a mortgage and file and record the mortgage as a real estate mortgage in the office of the county clerk. In other states a duplicate copy of the real estate mortgage must be filed in the chattel mortgage records. Elsewhere it is necessary to have a separate chattel mortgage covering items of personal property. The requirements as to refilings and extensions vary from state to state.

The extent to which we can make inspections of property prior to the purchase of mortgages and thereafter, and the extent to which we can negotiate with respect to terms within the state where the real property lies, run the gamut from extreme liberality to unusual strictness.

Because we are purchasing loans in 26 states* and Puerto Rico, it would obviously be impractical to ask our lending officers and field representatives to follow a different set of rules with respect to each state, although the laws of each state might indicate the desirability of doing this. What we have had to do, in effect, is devise operational procedures which embody all of the strictest rules of all of the states so that we can be safe in our operations everywhere. These procedures, created by our counsel in cooperation with local counsel in the several states, are undoubtedly necessary in view of the state of local laws across the nation—and prudent lending institutions must abide by such procedures. However, they are time-consuming—and, if viewed apart from legal necessity, they are in many respects frankly silly.

Several states have recently faced up to the problem of the foreign investor realistically. They have enacted legislation which clearly defines the rights of a foreign investor who wants to purchase mortgages in that state and service them through a local servicing contractor. The foreign investment statute of Tennessee, enacted in 1953, is typical. Such legislation gives the investing bank all the privileges and immunities it needs to conduct a sensible out-of-state lending program. It makes it clear that if the investing bank stays within the reasonable limits specified, it will not be subject to local taxation or be subjected to any other disabilities or penalties.

It has occurred to me that MBA might give this matter a thorough study, with the thought of preparing a model law, perhaps along the lines of the Tennessee statute, which would adequately protect the local servicing institutions and would give to the out-of-state investors reasonable flexibility and reasonable protection against local disabilities, penalties and taxes. Such a law might ultimately be proposed as a Uniform State Law.

I would assume that all states would regard as desirable any law which facilitated the in-flow of capital for the purpose of financing permanent and tax-producing improvements, provided that legitimate local interests were fully protected. Since local interests would be involved, I think that MBA, perhaps in conjunction with local real estate boards, title companies and bar associations, should be the one to conduct such a study and make such proposals to the National Conference of Commissioners on Uniform State Laws, or perhaps directly to the state legislatures.

It would not be an appropriate matter for the permanent investors to sponsor.

PROBLEMS: Our major problem is to so conduct our mortgage investment operation that we will not be deemed to be "doing business" in any state (other than our home state) where we are purchasing mortgages. The frustration of trying to do business without "doing business" should be obvious to anyone. However, if we are "doing business" in certain states we may be denied access to the courts of those states, if it becomes necessary to enforce our mortgage, and we may be subjected to local taxation and to severe penalties. This could mean the complete loss of our investment. In some states, these disabilities can be avoided by qualifying and in some states qualification may increase the likelihood of taxation.

So-called Uniform State Laws are approved from time to time by the National Conference of Commissioners on Uniform State Laws, which has been in existence for over 65 years. That is a body of commissioners who derive their authority from appointment by the governors of their respective states. They meet annually in conference at which various acts drafted or approved by their committees are considered and discussed. Acts are not approved until they have been considered section by section by at least two annual conferences. The conference has, to date, approved about 70 different uniform and model acts which have been adopted by state legislatures. Among these are the Uniform Stock Transfer Law, the Uniform Trust Receipts Law and the Uniform Negotiable Instruments Law. These have gone far to improve and simplify interstate commerce in connection with commercial instruments.

It may be that such a study should go much farther than I have indicated. There are many other factors that constantly cause annoyance in connection with purchase of out-of-state loans. We are constantly asking ourselves such questions as these: Shall we purchase a loan where the underlying property is subject to mineral rights reserved to others and where those others may have rights of access through the mortgaged property? Shall we invest in State A where there is an 18-month redemption period after foreclosure? Shall we invest in State B where funeral expenses, expenses of last sickness and other expenses may constitute a lien prior to a first mortgage? I could go on at much greater length. For the most part, our counsel and local counsel in the various states have contrived answers to most of these questions which are more or less satisfactory. Not being a lawyer, I don't

*Including 608's, we have investments in 29 states and Puerto Rico.

know whether these latter questions, involving local remedies and peculiarities of local law and tradition could or should be effectively made the subject of a Uniform Law, but I suggest you consider whether these problems are worthy of examination.

I recall that in 1937 a Uniform Real Estate Mortgage Act was proposed. Its purpose was to shorten and simplify foreclosure procedures. It is not surprising that in 1937 such a proposal was unable to generate much enthusiasm. In that year, nonfarm foreclosures were running at the rate of about 150,000 a year, as opposed to a recent average of about 20,000 per year. I do not know whether that particular Act was a good one or a poor one. I do know that there is a great diversity of practice between states, and that from the standpoint of lending institutions it would certainly be desirable to attain uniformity if this can be done with all due fairness to mortgagor and mortgagee alike. The same is true with respect to the other matters discussed here — the inconsistencies between state requirements violate common sense. I don't pretend to have the answer, but as true middlemen in the mortgage industry, you should turn your minds to the problem. In a day when money is less plentiful than it is today, the state with the most onerous requirements may find itself at a competitive disadvantage.

My basic premises are:

» That it is in the best interests of every state to encourage the in-flow of investment capital to finance home building, provided that local interests are adequately protected.

» That if it is desirable to encourage such an in-flow, all reasonable efforts should be made by each state to facilitate that in-flow and to see that out-of-state investors are not required to follow burdensome or meaningless requirements or to submit to uncertain risks that can be readily eliminated by clarifying legislation.

» That the existing laws of the several states constitute a complete spectrum, ranging from the extremely favorable and sensible law recently enacted in some states to the laws of other states which make it virtually impossible for a prudent savings bank to invest its funds in mortgages.

If these premises are correct, it seems obvious to me that to the maximum extent possible the laws of all states which are interested in attracting foreign capital should be made uniform and that no organization is better qualified than MBA to undertake the necessary studies which would be involved and to solicit the cooperation of other interested organizations and ultimately present the matter to the National Conference of Commissioners on Uniform State Laws or to the local legislatures. I am firmly convinced that the time and expense necessary to accomplish this will be offset many times by the savings of time, effort, anxiety and money that will result, both for you and for the investing banks, in terms of simplified procedures and requirements. In any such study I am sure you can count upon the cooperation of the savings banks and their associations. However, the job is really one which should be initiated and guided by you.

QUESTIONS: In some states, it is necessary for us to qualify as a foreign corporation. This means we must file appropriate copies of our charter and by-laws, pay a license fee, designate a local agent for the service of process and comply with other legal formalities. In other states we are not permitted to qualify even if we should want to. In still other states we are permitted to qualify, but either our counsel or local counsel entertains serious doubts as to the advisability of qualification. Then there are questions concerning the filing of franchise and income tax returns. In some states we are required to file tax returns, even though we are not taxable on the income from our investments. In other states we are required to file a return only if we realize income from foreclosed property.

THE MONEY SITUATION

(Continued from page 20)

» Restraint may be especially needed, among business men as well as lenders, in the field of consumer credit. Some bankers and economists believe that voluntary efforts in this area may not suffice and that the Federal Reserve should have stand-by authority to regulate instalment credit. This is a highly controversial issue, of course; but the problem is clearly one that deserves careful, objective study.

» During a boom, the federal budget should show a surplus for debt reduction. Pressures for excessive tax cuts should be steadfastly resisted.

» In the area of wage policies and industrial price policies, there will be need for moderation and a sense of social responsibility on the part of both labor and management.

» Saving should be encouraged. This presents a challenge to banks and other savings institutions. It also means that governmental policies should be oriented toward encouraging people to save more rather than to borrow and spend more. In particular, the policies of federal credit agencies should be better coordinated with national monetary policy.

Perhaps we should look at the Money Situation in even broader perspective. We have been emphasizing the dangers, of course, because it is important for us to be on our guard against them. On the other hand, despite the unstabilizing trends noted, there are major elements of strength in the money picture. Our banks and most of our other financial institutions are in strong condition. While our debts have risen substantially, so has our capacity to support them. There is little prospect of drastic debt liquidation or of heavy losses to financial institutions.

Moreover, the American economy has demonstrated a remarkable flexibility and resilience that should stand us in good stead in the future. If we can avoid foolish excesses, there is no reason why we cannot achieve continuing prosperity and reasonable stability over the years that lie ahead.

Mortgage Investments *Should* Be Attractive for Pension Funds

From the viewpoint of investment policy alone, they should be—but so far have not been to any appreciable extent. The barriers have been many; and, to some anyway, have seemed insurmountable. Many of these problems, however, are now on the way toward solution and getting around them all no longer seems out of the question. Mr. Gardner gives the background of this question of important buying of mortgages by pension trusts—one of the greatest prospective developments in this industry in our time.

By **ESMOND B. GARDNER**
Vice President, The Chase-Manhattan Bank, New York

FROM the point of view of investment policy alone, mortgage investments *should* be attractive for pension trusts. This also applies to "leaseback" investments. By their nature, pension trusts are permanent and therefore investments may well be made on a long term basis. For many years after the inception of a pension plan, the annual contributions to the fund will exceed the outgo and therefore investments do not have to be liquid or readily convertible into cash; even after the theoretical point of full funding is reached, when the contributions to the fund plus the income on investments equal the outgo, liquidity is not required for all assets. In fact, it would only be upon a termination of a plan that all assets might have to be converted into cash and even then it might not be required.

As a general rule, there are no legal limitations on investments in pension trust. This is a matter governed by the terms of the trust instrument. In some cases, the trust instrument restricts investments to those legal for life insurance companies, in other cases to those legal for trustees under state law, but in many cases the trust agreements specifically provide that there shall be no limitations on investments. Even then, however, a prudent trustee would be governed in regard to the amount loaned and the terms of a mortgage by the customary standards of other mortgage lenders. There may, however, be local statutes which would be applicable, such as the New York State statute which restricts a trustee from investing in a part interest in a mortgage. This law has an effect upon the placing of large mortgages in pension trusts, as it prevents two or more trusts from sharing such investments. Each mortgage is acquired by a particular trust and, consequently, it is the size of each trust that governs the size of any one mortgage that can be held therein.

Naturally, mortgages must compete with other available forms of investments. Consequently, mortgages must offer a favorable interest rate, desirable maturity and adequate security. A trustee is attracted by a higher net investment return as it either decreases the amount of contributions which have to be made to the pension trust or permits an increase in the benefits payable. The amount of the contribution required for a pension trust is determined annually on the basis of computations involving an interest rate mortality table, etc. It is the amount estimated to be necessary to provide the future benefits as set forth in the plan. Each increase of ¼ per cent in the investment return would permit either a reduction in the costs of 5 per cent to 6 per cent or an increase in the benefits of the same 5 per cent to 6 per cent.

Not every pension trust will be interested in mortgage investments. The size of the pension trust, the personalities involved, the nature of the employer's business and other factors may have an effect, as will the identity and location of the trustee. Some trustees may be experienced in the selection and administration of mortgages, others will be inexperienced and will not have the facilities for such investments. Others may be so located that mortgages would be difficult to acquire and to service.

Another deterrent to mortgage investments in pension trusts results from the fact that a trustee is investing the funds of others. Very often an investor, either individual or institutional, is willing to accept the risks involved in a form of investment and be willing to offset the offer of higher income against the possibility of loss. Then, if a loss eventuates, he is reconciled. A trustee, however, is in a different position, because there must be an accounting to other parties. Consequently, a trustee must keep accurate and full accounts of all transactions and of all decisions. This means additional work, particularly in connection with mortgages, and, in the case of a professional trustee, it must mean additional expense which must be offset by a higher interest rate in order to make the investment attractive. In the case of FHA or VA mortgages, there is of course a servicing agent who is entitled to a ½ per cent service charge. When the lender is a trustee, he must be prepared to make an accounting to the benefici-

aries and to justify his acts. This practically requires a duplication of the mortgage record in detail. The expense involved in so doing will differ between trustees and will depend in part on the volume of such investments. In the case of conventional mortgages, there is considerably less bookkeeping; but, in addition, pension trustees seem to prefer mortgages which are substantial in size and this lessens the operating costs per dollar invested. Up to the present time, conventional mortgages bearing a gross interest rate of 4½ per cent have seemed to be attractive but a gross rate of 4½ per cent on FHA and VA mortgages is not attractive unless such mortgages can be acquired at a discount. A discount of 5 per cent raises the net rate of return over the life of a thirty year mortgage to a rate that is attractive and which will become higher if the mortgage is paid off prior to maturity.

One of the problems facing a trustee, holding large amounts of pension money in one or more trusts and desiring to make mortgage investments, is that of geographical location. There would be a natural desire to avoid a concentration in any one area in order to escape too much dependence upon the economic conditions in one place, to escape the possibility of total physical destruction in event of war, and also to escape, in connection with pension funds of nationwide organizations, the possibility of charges of favoritism towards one area.

This leads to one of the most complicated problems in the business of serving as a corporate trustee, that of acquiring good title to real estate in a State other than the domicile of the bank because, before investing in a mortgage, a lender must know that valid title to the mortgaged real estate could be acquired in the event that foreclosure became necessary, and the property operated. The question as to what constitutes "doing business" in a foreign state is complicated enough in itself but the situation here is further complicated because the holding of title to real estate by a trustee is considered as the doing of a trust business and there are often special prohibiting statutes on this point. The problem is different from that of a bank, whether commercial or savings, lending money on mortgages in its individual capacity.

In some states, there are specific statutes authorizing the lending of money on mortgages and permitting the taking of title to the mortgaged real estate in the event of foreclosure. In at least one state, this authority is restricted to FHA and VA mortgages. In a state which has no such enabling statutes and which prohibits the doing of a trust business by a foreign bank, there is a possibility that the transaction can be consummated through a corporation, all the stock of which would be owned by the pension trust. While such a corporation is free from federal income tax as a "feeder corporation" owned by a tax free entity (and a "qualified" pension trust is free from all federal income taxes and also from most State taxes), there are only a few states that grant exemptions from state income or franchise taxes to such a corporation at the present time. In considering the advisability of an investment in the corporate form, the trustee would attempt to arrange that any and all taxes be covered, both present and future. Furthermore, the transaction must be of fairly substantial size to warrant the trouble and expense of this method. In at least a few states, a further problem of taxes is involved because the trustee is sometime subject to a state income tax on its fees in respect of the investment. The amount of tax involved is usually very, very small, but the trouble and expense required to prepare the tax returns on behalf of the corporate trustee can hardly be justified. Furthermore, the penalties for violating state statutes seem to range from a fine to imprisonment and some times an effort is made to have the property escheat to the state. It is obvious that a trustee is not warranted in assuming the risk

involved. It is some comfort, however, that steps are being taken to overcome these problems in some states. It is our understanding that a committee of the American Bar Association is in the process of drafting specimen forms of uniform statutes which would permit out of state banks and trust companies, acting individually or in a fiduciary capacity, to make loans and to take title to real estate without becoming involved with the question of "doing business" in foreign states and the attendant tax problems. It is also obvious that these obstacles will have to be removed in the states where they exist if the assets of pension trusts outside of these states are to be tapped as sources of mortgage money.

The amounts of money that have been accumulated already and the amounts that are being contributed each year to pension trusts are substantial. It is estimated that over $14 billion are now held and that the annual contributions at the present rate are about $2 billion. These figures do not include the funds paid to life insurance companies. Neither do those figures include funds of federal, state or local government pension plans. Nor do they include the funds paid to welfare plans which provide health, accident and death benefits which are current in nature. They reflect only the funds of pension trusts created by employers or unions, or both, which provide retirement benefits which are deferred in nature.

The growth in such pension trusts has been very rapid to date. The annual contributions in 1954 more than trebled the annual contributions in 1946. The growth in the number of employees covered by pension plans under collective bargaining agreements started in 1948 after the Inland Steel case declared a pension plan a bargainable matter. Even so, one-half of the 16½ million union members are still not covered and the percentage of non-union employees not covered is probably even larger so that there is good reason to believe that the annual increase in pension trust assets should be on an ascending scale for some time to come. It is difficult to estimate the portion of pension trust moneys which may be used for mortgage investments. One determining factor will be the relative attractiveness from a net yield and security standpoint which will probably change from time to time. It is reported that mortgage holdings of life insurance companies have ranged from about 15 per cent to over 40 per cent in recent years and are presently slightly over 30 per cent of assets. Considering that most pension trusts are invested in common stocks to some extent, it might be expected that mortgages could be used for 15 per cent to 20 per cent of the funds. A typical distribution of investments in a pension trust might be 60 per cent to 65 per cent in fixed interest obligations chiefly government and corporate bonds, 10 per cent in preferred stocks and 25 per cent to 30 per cent in common stocks. Mortgage investments are considered part of the fixed interest portion. While there are no accurate figures as to the present holdings of mortgages in pension trusts, it is believed that the total would be less than 1 per cent of the accumulated funds. However, it has only been in recent years that any pension trustees have been active in the mortgage field and more of them seem to be becoming interested at this time. However, even after eliminating some portion of the total because of the practical disadvantages of mortgages in small accounts and another portion because of those trusts which may be forbidden to invest in mortgages for one reason or another, there still remains, both in the funds accumulated and in the annual contributions, a substantial number of dollars as a potential source of mortgage money.

The fact that moneys are contrib-

uted periodically (at least annually) should enable a trustee of pension trusts who expects to continue to be interested in making mortgage investments over a long period of time to become a continuing source of supply of such money. This is one advantage that a pension trustee has over the trustee of the usual form of testamentary or other individual trust. Another advantage is that there is no single life beneficiary upon whose death a mortgage would have to be sold or distributed to remainder men.

According to a survey recently made by the New York State Banking Department it is estimated that more than 60 per cent of all pension fund moneys in the United States are held in trusts in New York State, that 97 per cent of the trust funds in New York State were held by New York City banks and that 85 per cent of the employees covered by the trust funds in New York State were non-residents of New York. This confirms that there is a tendency for pension trusts to be concentrated in financial centers, particularly in New York City.

In view of the potential which is obvious, the mortgage industry has a prime incentive to take positive action to solve the problems which are preventing a greater measure of investment in first mortgages on real property by corporate trustees of pension funds.

>> URBAN RENEWAL'S FUTURE: Large-scale urban renewal is potentially the most profitable financial enterprise ever proposed to American cities, and if adjusted to function smoothly will not only benefit the entire economy, but boost both federal and city tax revenues, Architectural Forum says.

At an immensely accelerated pace, assisted by a new "land bank" or "redevelopment site reserve" plan, urban renewal could replace the greater portion of the nation's slums with $18 billion of new modern buildings within a decade, according to the magazine.

Urban redevelopment with federal aid was first authorized in 1949, but has been very slow in getting off the ground, Forum reports. Today, it observes, "urban redevelopment seems to be in almost exactly the same position as flying was in the early days of the Wright brothers. They had proved the all-important thesis that man could fly, but their flights were so short and intermittent bystanders who were looking straight at human flight failed to recognize it as such, and almost nobody dreamed that it would ever become a steady production and a daily mass habit that would compete in the end with busses."

Through urban renewal's first, difficult years, too many people have come to think of it as an out-of-pocket "subsidy" operation, and have lost sight of its more important positive side.

"Urban renewal can and should be profitable to all concerned: to the city treasury most of all, in the form of immediately collectible and very much bigger realty revenues; to the business sponsor . . . and finally to the federal government as a means of major activity of the sort that federal revenues directly depend upon."

Explaining how such programs, in a steady, smoothly working flow in cities throughout the nation would likewise earn more for the federal government than it paid out to support them, Forum says:

"In our country economic activity and government solvency are closely interrelated, for productivity is what the government literally lives on, since it taxes income. Thus, in one example, the federal government would ultimately recoup through taxes on the profits of new construction, which in the city of Washington would be $300 million (carefully estimated) and rehabilitation adding another $80 million."

FEDERAL MONETARY POLICY AND ITS EFFECT ON HOME FINANCING

By **R. J. SAULNIER**
Member, President's Council of Economic Advisers

THE entire year 1955 and these early months of 1956 have been crowded with events of intense interest to everyone who follows developments in our home building and home financing industries. Those of us who observe these events as government officials have been no less interested in them than those whose important business it is to finance homes for Americans.

We have a number of reasons for following housing and related developments as closely as we do. For one thing, we follow them because of the importance of a high level of home building to the improvement of America's level of living. We follow them also because of the significant impact of the construction industry and the extension of mortgage credit on the growth and stability of our economy. But the federal government has another and very important reason for the close watch that it keeps over the home building and home financing sectors of our economy. Few other spheres of production and finance are so directly and so extensively affected by the policies of government. The multi-billion dollar programs under which the federal government insures or guarantees home mortgages, and its other programs of even more direct financial aid, exert an often decisive influence on private policies in the home building and home financing industries. It is incumbent on the federal government, therefore, to administer its programs so as to contribute to a sound home building and home financing industry and to promote stable economic growth. To this end we try to keep ourselves well informed on developments in housing markets and on those aspects of capital markets that bear most directly on the cost and availability of mortgage credit.

The financial aspects of housing markets have been so remarkable in the last year, or year and a half, that they have tended to monopolize public and even expert attention, at the expense of non-financial matters. We can properly evaluate what has been happening in housing markets only when we have a correct understanding of trends in the physical volume of new construction. The record in this respect is a quite remarkable one. The amount expended on new construction, when adjusted to take account of changes in construction costs, is our best over-all measure of building activity. These expenditures reached an all-time high in 1955. Their level has been receding somewhat since late 1955, principally as a result of declines in new residential construction, but it is still very high by all historical standards. Equally as significant as the level of building activity is the unusually rapid rate at which it has increased in recent years. Cost-adjusted expenditures for new construction rose by $1.3 billion in 1953, by $2 billion in 1954, and by nearly $3 billion in 1955. To put the matter differently, in 1955 the physical volume of construction expanded by nearly 10 per cent on top of what was already an unprecedented level. Our economy as a whole, on the other hand, expanded by only slightly over 6 per cent.

Building starts are another measure of the high level of construction activity. They bring out very vividly what is perhaps its most important feature, namely, that it *has been sustained over a long period of time.* Last year was the seventh consecutive year in which housing starts have been in excess of one million.

This record of sustained, high-level construction activity is a good one.

First, it is a good record because through it we have greatly reduced the acute shortage of housing facilities which was a matter of such grave national concern during World War II and the immediate post-war years.

Second, it is a good record because in recent years, contrary to some of our earlier experiences, private construction activity has been on the whole a stabilizing rather than a destabilizing factor in our economy. Construction trends have not always been in a direction conducive to national prosperity. In 1949, a year of economic contraction, new private construction expenditures fell along with expenditures for the economy as a whole. Indeed, in that year the decline in private new construction accounted for about one-half of the total contraction of the economy. In 1954, on the other hand, construction was a significantly expanding industry while the economy was undergoing a mild contraction in response to a reduction in military expenditures and a decline in inventories.

The contribution that this high and sustained level of building has made to the improvement of our housing facilities and to the general prosperity of our country is very great. Yet we must recognize that a high rate of building activity requires close atten-

tion, lest excesses develop that may threaten its continuance.

First, a high and long-sustained level of additions to our stock of housing raises questions as to the capacity of the market to continue to absorb output in this volume. Surpluses can develop in specific local areas, and in specific types and price classes of structures. It is one of the great assets of our enterprise system that it is constantly alert to these shifting market conditions, and capable of making corrective adjustments. But government, in view of its direct impact on housing markets, has an equally heavy responsibility to pursue corrective policies. In the spring of 1955 surpluses appeared in scattered localities and these facts were taken into account by FHA and VA in underwriting, or committing to underwrite, new construction. There was nothing novel in this method of seeking to correct local and specific imbalances in the supply of housing. It is the established policy of FHA and VA to seek to correct local market conditions, where corrective action is needed, by this method. In 1955 an effort was made to achieve maximum coordination of policy at the local level as between the loan insurance and loan guarantee programs.

Second, a high volume of residential building, combined with record demands for other kinds of construction, can exert such great pressure on materials and labor resources that shortages develop and costs and prices rise. This was the case during much of 1955 and has continued to date, although some of the materials shortages have been alleviated. While all of us wish to see our economy operating at a high level, the danger of inflationary price rises is always present under such conditions and calls for constant vigilance by government.

Third, important questions relating to credit and financing are raised by a high and long-sustained level of building activity. Some of these questions have to do with the terms on which mortgage loans are written. Others have to do with the volume of credit extended. They represent, so to speak, the qualitative and quantitative aspects of the mortgage credit situation. While we may distinguish the one aspect from the other, they are closely related and must be regarded jointly rather than separately. As to the changes that have occurred in mortgage credit terms, the essential facts can be stated very briefly. Home mortgages insured by FHA in 1955 involved somewhat more liberal terms, on the average, than those insured in 1954 or in 1953, both as regards ratios of loan to value and as regards maturities. This was due in some part to those provisions of the Housing Act of 1954 which permitted higher loan-to-value ratios and longer maturities on loans secured by existing structures. But the principal factor was general money market conditions, which began to ease in mid-1953 and which continued this course through much of 1954. This interpretation is suggested by the fact that some liberalization of credit terms occurred in 1955 on types of FHA insured loans not much if at all affected by the Housing Act of 1954. It is confirmed by the experience with home mortgage loans guaranteed by the Veterans Administration. Between January 1954 and mid-1955 the percentage of GI home loans with maturities of from 26 to 30 years increased from 11 to 45 and the percentage involving no downpayment increased from 13 to more than 40. Since there was no change during this period in the laws or regulations affecting the maximum permissible maturities or minimum permissible downpayments on GI home loans, one can only conclude that these very remarkable changes in mortgage credit terms were primarily a response to changed capital market conditions, and the government policies reflected therein, rather than a result of federal housing policies as such.

But theories as to what brought about these changes in mortgage credit terms are less important than a correct appraisal of their economic significance. We are far from adequately informed on the economic significance of a relaxation of credit terms of the type that occurred in 1954-55. We do know, however, that in the past there has been a tendency

for credit standards to be relaxed during periods of prosperity. We also know that especially liberal loans made in periods in which there has been an overemphasis on speculation have subsequently been the most prolific source of foreclosure and loss. The obvious lesson which it teaches is that it is prudent during a period of good times to avoid the excesses of overly liberal credit extension. Federal policies in 1955 were designed to this end.

The quantitative aspects of recent mortgage credit developments also deserve some comment. To see these in proper economic perspective it must be borne in mind, first, that the demand for funds to finance home construction and purchase is essentially a demand for savings. Second, that the mortgage market is only one among several major claimants for a share of our supply of savings. And third, that this total supply of savings, at least over short periods of time, is limited and only moderately responsive to changes in interest rates. An outstanding feature of 1955 was that virtually every claimant on savings was increasing its demands. The federal government was the one major exception. The amount of its debt held by the public actually decreased slightly in 1955 as compared with 1954. But consumers increased their non-mortgage debt by \$6.1 billion, whereas they had increased it by only about \$500 million in 1954. Business concerns—corporate and non-corporate—added \$20.8 billion to their non-mortgage debt, which contrasts with an increase of only \$1.7 billion in 1954. Public offerings of new common and preferred stock were \$2.8 billion in 1955, as compared with \$2.0 billion in 1954. Securities offered by state and local governments were about a billion dollars less than in 1954, but they were still high enough to raise the outstanding state and local debt by \$5 billion over the year. In brief, there was strong competition for savings and the \$16.3 billion increase in non-farm mortgage debt, which exceeded the 1954 increase by nearly \$4.3 billion, combined with these other demands to place a heavy burden on capital markets.

One result of this sharp increase in the demand for capital and credit was that many billions of dollars of financing was supplied through the commercial banking system. During 1955 the banking system increased its loans by \$11.3 billion but its total assets increased by only \$4.4 billion by virtue of the fact that it sold nearly \$7 billion of its investment holdings to other investors. This is a rather round-about way of obtaining a larger share of savings, but it worked reasonably well in 1955. Indeed, the fact that it could be done on this scale demonstrates a remarkable degree of flexibility in our financial institutions. Fortunately for our high employment economy, this close match between the demand for savings and the available supply was achieved without serious inflationary results.

A number of steps were taken which directly affected the terms and conditions of home mortgage contracts.

First, in late April 1955, regulations were issued requiring that legal, recording and related expenses be paid in cash and not included in the mortgage amount. The so-called no-no downpayment loan, against which this regulation was directed, was a highly localized and infrequent type of contract. Its elimination imposed some restraint on the use of credit but it was intended as a lasting reform, not merely as a temporary credit-tightening measure.

Second, in July maximum maturities on FHA-insured and VA-guaranteed mortgages were reduced from 30 to 25 years, a minimum 2 per cent downpayment was required on loans guaranteed by VA, and the minimum downpayment on FHA loans was raised from 5 to 7 per cent. These steps conformed with a general policy of credit restraint. They were designed to help keep the demand for capital and credit within limits that could be satisfied without recourse to inflationary finance. Also, steps were taken by the Federal Home Loan Bank System to moderate the use of its lending facilities by member associations.

Third, simultaneously with these measures the Federal Reserve authorities were pursuing a policy of general credit restraint. Through open-market policy, and by successive increases in the rediscount rate, the Reserve System held reserves to a volume which kept the expansion of bank credit within moderate limits. In the face of increasing demands for capital and credit, interest rates and investment yields moved to higher levels. Caution was recommended in the use of commercial bank credit to hold mortgages prior to their absorption by permanent, long-term investors.

Federal Reserve policy had a very decided effect on the cost and availability of funds for mortgage investment. Where interest rates were free to move, as on conventional loans, they tended to rise. Discounts on FHA and VA loans tended to increase, as the competition for savings intensified. These discounts reflect the impact of increased demands for savings on a mortgage contract carrying a fixed rate of interest. They are not, however, something peculiar to the market for FHA and VA loans. Deviations above or below par are the characteristic means by which flexibility of yield is achieved on public and private securities having a

fixed rate of interest. In the field of mortgage credit, however, this method of conforming the yield to market conditions has some awkward effects. An important question is how to make the cost of mortgage credit obtained under federal insurance or guarantee more efficiently and more equitably responsive to changing conditions in the capital markets.

These measures of credit restraint, and particularly the over-all restraints arising out of Federal Reserve policy, soon made themselves felt in mortgage markets. The expansion in mortgage credit slowed down. The trend toward more liberal mortgage credit terms was halted. And the use of bank credit and borrowings from the Federal Home Loan Banks for the holding of mortgages prior to their absorption in the portfolios of long-term investors tapered off. In view of these adjustments, it was possible to relax somewhat the specific restraints on home mortgage credit. The 30-year maximum term on FHA and VA loans was restored in January. The regulations on borrowing by members from the Federal Home Loan Banks were relaxed. Also, the Federal National Mortgage Association proved a useful instrument in relieving specific situations of stress in the home mortgage market.

Stated very broadly, this is the 1955 story. That the heavy demand for savings persists in 1956 can be seen in the present level and trend of interest rates, and in the quite spectacular industrial demand for bank credit. While residential construction is using somewhat less of the economy's resources, the expansion of our industrial plants is using more, and production as a whole continues at a high level.

The object of federal policy is to maintain this high level of production and employment, and to encourage further growth at sustainable rates. Furthermore, the object is to accomplish this without recourse to inflationary finance. In seeking to sustain prosperity without inflation, the federal government's policies in the fields of housing and home finance must continue to be coordinated with its over-all economic policy. By following sound financial policies, government can contribute significantly to economic growth, but it must never be forgotten that in the end our economic progress depends primarily on how business and financial concerns such as those which mortgage bankers represent manage their affairs.

Numerous as are the irritations of a capital market not quite capable of meeting everyone's demands in the amount and at the cost that everyone desires, it has its compensations. It reflects a strong demand for capital, which shows confidence in the future.

» HOME BUILDING STATUS: According to the Bureau of Labor Statistics, 106,000 new dwelling units were started during April, of which only 1,000 were for ownership by public bodies.

The 105,000 private starts are estimated to represent a seasonally adjusted annual rate of 1,110,000. Private starts during the first four months totalled 349,900, about 16 per cent below the total for the same period in 1955, but 11,200 units higher than for the corresponding months of 1954.

Since 1954 ended with slightly more than 1.2 million private starts, it may be argued that the same could happen in 1956. Considering, however, the easier credit conditions that were clearly developing by this time in 1954 in contrast to the present tightness of money, it becomes difficult to conclude that a figure higher than 1.2 million for 1956 is now probable. Unless some relaxation of the credit situation soon occurs, the outlook is for a total slightly under rather than over 1.2 million.

The trend toward a larger, more expensive house is clear. Dollar expenditures for residential building are down much less than the number started. Dodge residential contract awards show a substantial gain in square feet of floor area over 1955.

Clinic in Richmond

The first six months of an MBA calendar year is the period where the meetings are concentrated, and April and May are the favorite months during the period. This year there were more meetings than ever before, attendance was heavier and, with the end of the Conference-Clinic series, the statistics showed that those who attended represented considerably more people than the total membership.

Inevitably, it seems, each year's meetings come to have a central theme, usually without any design or planning on the part of anyone. This year's theme was a cinch—it was the tight money situation, what else? Practically every speaker, at every Conference and Clinic, alluded in some way to the sudden change in our monetary affairs, a change which was just beginning to be felt when the first meeting in Chicago in February opened. After several hundred thousand words of caution and explanation on the subject, a safe guess is that few, if any, mortgage bankers could make a reasonable prediction as to *when* tight money might become less tight. But they found out *why*—and they also knew that, for them, the situation would be more acute in the latter half of the year than it had been in the past several months.

Richmond was the first in the series—and our first meeting in this city since the earliest days of the Association. A hard-working local group—numbering among them some of the most active members the Association has had for the past quarter-century—produced a meeting that would be long remembered.

IN RICHMOND: MBA President Lindell Peterson, in a serious mood, delivers the opening address of the Southeastern Mortgage Clinic (top left) and (top right) in a more relaxed moment shares conversation with H. E. Peterson, The Life Insurance Co. of Virginia, Richmond; W. W. McCollum, W. W. McCollum, Inc., Arlington; Dan J. Cronin, VA, Roanoke; John R. Walsh, Lawyers Title Insurance Corp., Richmond. Richmond was one of the best-attended clinics, registration exceeding 260.

CONVERSATIONALLY SPEAKING: (Bottom left) Louis F. Stauss, Manufacturers Trust Company, New York; Coleman A. Hunter, Atlantic Life Insurance Company, Richmond; Clifford C. Boyd, Institutional Securities Corp., New York; Martin R. West, Jr., Weaver Bros., Inc., Washington, D. C. (Bottom right) G. P. Crowell and Wm. D. Tharin, Pilot Life Ins. Co., Greensboro, N. C.; A. K. Moore, Jr., Moore Realty & Mortgage Co., Greensboro; Alan G. Decker, Shenandoah Life Ins. Co., Roanoke.

Clinics on Servicing

The verdict is in—and it's unanimous: MBA's series of special Servicing Clinics, introduced for the first time this year, has proven an unqualified success. Four were held—in Chicago, Nashville and Washington, D. C., in March, and in Seattle in May. With a combined attendance upwards of 1,000, the meetings met with enthusiasm and interest.

Dealing exclusively with servicing, but designed to appeal to servicing and production personnel alike, the Clinics' remarkably comprehensive program provided something of interest for everyone engaged in mortgage lending. Built around the basic theme that "coordination and cooperation" provide the key to successful servicing, the Clinics placed emphatic emphasis on coordination—coordination in four different spheres of operation: between management and employees; between investor and servicer; between the departments within any one organization; and also within any one department.

Helpful in many ways, these meetings not only provided an ideal market place for the exchange of ideas, but they also made it possible for the investor to arrange correspondent meetings with the servicing people of the companies representing him in those regions where the Clinics were held.

An institutional investor panel, the first ever presented at any MBA meeting, was well received. It aided considerably in shedding light on some of the shortcomings of today's servicing.

Yes, after several years of scheduling individual servicing sessions as a part of other MBA meetings, the Servicing Clinic—*per se*—has come into its own. And, in initiating this series of specialized meetings, MBA keeps pace with the constantly growing emphasis being focused upon the servicing phase of our industry's operations. One very safe assumption to make is that Servicing Clinics on MBA schedules are here to stay!

ANOTHER MBA FIRST—SERVICING CLINICS. That's Lindell Peterson, MBA president (top photo) addressing the Chicago Clinic luncheon. He's flanked (left) by John R. Womer, Chicago MBA president; and George H. Patterson, MBA secretary-treasurer; and (right) W. James Metz, Edward J. DeYoung, Frank J. McCabe, Jr., all of the Chicago headquarters office. Center photos show groups in attendance at Chicago and Washington, D. C. meetings. Bottom photo shows John F. Austin, Jr., MBA vice president, speaking before the D. C. meeting. Others shown (from left) are: Roger W. Hatch and Martin R. West, Jr., both of D. C.; Aksel Nielsen, Denver; William L. King, Washington, D. C.

Louisianans get together in Atlanta: That's D. G. Laux, Standard Mortgage Corp., New Orleans, left, with John Dane, Jr. and A. K. Northrop, Dane and Northrop, also of New Orleans on the far right; others are Frank R. Bolton and W. F. Brasher both Rapides Bank & Trust Co., Alexandria.

From left: Forrest C. Billings, George M. Billings & Co., Greenwich, Conn.; Geo. C. Blanchard, Blanchard & Calhoun Realty, Augusta, Ga.; Jos. N. Doyle, John Hancock Mutual Life, Boston; F. E. Williams, Jr. and Thad E. Murphey, both of Murphey, Taylor, & Ellis, Inc., Macon, Ga.

Above: That's Maurice M. Meehan, J. I. Kislak Mortgage Corp., Miami; with John C. Hall, Cobbs, Allen & Hall, Birmingham, Robert Tharpe, Tharpe & Brooks, Inc., Atlanta; George H. Patterson, MBA secretary-treasurer. Below: Norman Carpenter, Metropolitan Life Insurance Company of New York, addresses the Conference.

Above a congenial foursome: O. D. Bond, Metropolitan Life, Atlanta; John H. Skemp, Eugene Knight, Inc., Tampa; J. E. McGurk, Metropolitan Life, New York; W. A. Clarke, W. A. Clarke Mortgage Co., Philadelphia. (Below): That's Robert Tharpe, center, with John F. Austin, Jr., Houston, and Lindell Peterson Chicago, MBA vice president and president.

All from Georgia: Robert Williamson, Jr., George S. Reynolds, Robert L. McCutcheon and (extreme right) Charles Hairston, all Southeastern Mortgage Corporation, Albany; with T. A. Curry, Jr. and Tom Kellam, Southern Loan & Investment Co., Dublin.

That's O'Earl Kearney, The Commercial Trust Company, Decatur, Ga. (center) with four Atlantans, J. G. Hardy, Jr., Spratlin, Harrington & Thomas, Inc.; J. L. Brooks, Tharpe & Brooks, Inc.; Jack M. Martin, Colonial Investment & Mortgage Co.; Kenneth B. McKenzie, Jr., Cheves-Green Enterprises.

Atlanta Conference

Atlanta was the second stop on the MBA swing around the country, principal objective of which (as it has been for several years) was to bring the Association and its benefits to where the members are. There seems to reside in Atlanta a good deal of the same spirit which motivates Texans: Atlantans won't be content just to do something well—it has to go a good deal beyond that. And so it was in 1956 at the Atlanta Conference. There was a record attendance for a regional meeting of this kind and a highly-organized and smoothly-running program and schedule of events.

President Peterson, noting the first effective influences which the changed monetary policy was exerting by that time, spoke his general approval of what was underway.

"A market strained to the limit by easy credit cannot be a stable market and it is well that credit restraints exert a sobering influence before the excesses that have occurred in the automobile field are felt." Less than two months later the wisdom of his words was in sharper focus.

He voiced opposition to increasing government controls on mortgage credit. He said "direct controls do not control. They simply distort."

"It would be much better for both industry and the public if Congress would set reasonable statutory limitations and hold to them, allowing adjustments in the market to be taken care of by general monetary controls as reflected mainly in the free movement of interest rates."

He said that governmental mortgage policy tends to instability rather than stability by "overstimulating the upswings and hence intensifying the pain of subsequent reversal."

T. J. Sweeney of the VA's loan guaranty section, told the Atlanta conferees that unless something was done soon to extend the GI legislation, he guessed that by November, or not later than January, his agency would have to begin the tapering off process. He had made the same statement shortly before in Washington and by now, people (particularly in the halls of Congress) were being goaded into action. The outcome will shortly be seen in the final action which Congress takes on the subject.

A star performer in Atlanta was Sen. John B. Sparkman of Alabama. He repeated his views on what we need in housing and housing finance legislation — without question he is one of the best-informed men in the country on legislation affecting our industry. And although many of his views are not, quite frankly, parallel to those which most mortgage bankers hold, Sen. Sparkman expounds them with sincerity and conviction. In the broadest general terms, we are together—the differences arise in putting the ideas into action.

SEEN IN ATLANTA: (Top) Among the younger members there, John C. Hall, Jr., Birmingham; Cary Whitehead, Memphis; Frank C. Owens, Jr., Atlanta; George C. Dickerson, Jacksonville, Fla.; D. E. Mullikin, Greenville, S. C. (Center) A group from Birmingham: Mrs. John C. Hall, Jr.; George Stuart; Mrs. John C. Hall; John C. Hall, Jr. (Bottom) A discussion meeting sponsored by the Young Men's Activities Committee.

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New York Conference

Everyone who came to New York for MBA's annual Eastern Mortgage Conference knew the money market was tight—tightest since 1953. It had come about suddenly and developed with amazing speed. Thus, to get their bearings during these changed conditions, mortgage men from every section came to the Conference. Possibly in the minds of every originator was the hope that somewhere in the picture could be found a ray of hope, something tangible to look forward to in the immediate days ahead. But such was not the case, judging from what most people heard. The credit structure is up against a tremendous demand for funds. Private corporations are seeking vast sums to proceed with giant expansion programs—indicating, of course, their optimism in the future. Outside the Conference ballroom, tight money was the featured topic. Inside, members heard about a number of other matters.

President Lindell Peterson told the Conference—answering a recent criticism by Fortune magazine that our mortgage debt is dangerously top heavy—that the facts justify no such conclusion.

"The debt must continue to grow in order to meet the new needs it is serving. And it can continue to grow without endangering its own stability or that of the economy as a whole. While caution and good judgment are always in order, there is no reason to let fear or timidity cloud the outlook. The debt structure is in good shape now; and we can keep it that way."

HHFA Administrator Albert M. Cole had a warning for us regarding public housing—it loses its public purpose, he said, if it is not made a part of a comprehensive program of community renewal to end slums and prevent blight. The Administration is firmly committed to a public housing program that is part of a community's total renewal program. For that reason, the President has called on Congress to restore the requirement that a city must have a qualified workable program for this purpose to justify its claim to federal housing assistance.

The Democratic bill would set up an unrealistic public housing program of half a million units entirely unrelated to a community's willingness to assume its own responsibilities for its slums and blight, he said.

With their minds very much on the hot subject of opening the pension fund market to mortgage loans, members heard an intriguing suggestion from a top official of one of the country's great banking institutions. In our quest to open to mortgages the vast pension fund market already totaling more than $25 billion, we might not do better than to go back to an idea suggested nearly a quarter century ago—that is, organize a Fiduciary Corporation to buy FHA and VA loans and sell its own obligations against them to pension funds, endowments and other investors.

The suggestion came from **John M. Meyer, Jr.,** senior vice president of J. P. Morgan & Co., Inc., New York.

There would seem to be no reason why such a corporation with full time management of competent and experienced men of integrity would not be able to resolve the difficulties which so far have largely closed the market for mortgages to these investors, said Mr. Meyer.

Organization of such a corporation would involve a company which would sell, at appropriate rates, its corporate obligations to all concerned including self-administered pension trusts, bank-administered trusts, endowments, small insurance companies, trustees and others. In turn, said Mr. Meyer, the new company would buy mortgage loans from mortgage bankers, brokers and originating banks.

And switching to another prime question of today—and one certain to become increasingly important in the years ahead—members heard a blunt description of what is needed to solve

(Continued on page 49)

← *We talked to these at the New York Conference:*

Left panel, top to bottom:

1. Eugene Knight, Tampa, R. T. Tucker, Orlando, and H. L. Sudduth, Panama City.

2. William F. Haas, John W. Kelly and Arthur G. Pulis, Jr., all Newark, and J. D. Abbott, Pittsburgh.

3. John B. Waltz, Philadelphia; Joseph L. Aylsworth, Jr., Philadelphia; Murdock P. Claney, Wynnewood, Pa.; Frank J. Hagaman, Philadelphia and Elwell Whalen, Philadelphia.

4. Samuel E. Neel, Washington, D. C.; Aubrey M. Costa, Dallas; Edmund L. Stoddard, New Haven; and E. W. Muhsfeld, Los Angeles.

5. J. B. Aiken, Jr., Florence, South Carolina; James J. Teeling and James A. Cheek, Dallas; Frank J. Owen, Jr., Pittsfield, Massachusetts; Pat L. Davis, Fort Worth and David H. McLeod, Florence, South Carolina.

6. John C. Hoben, Detroit; Fred L. Brady, Kansas City, Missouri; Edward F. Lambrecht, Detroit and Dale M. Thompson, Kansas City, Missouri.

Right panel, top to bottom:

1. From right, Dean R. Hill, Buffalo and Emerson Kirby, New Haven.

2. Edward J. Henry, Newark; Henry Beach, Birmingham and Geo. L. Bailes, Jr., Birmingham.

3. From right, Harry P. Bergmann, Washington, D. C.; Geo. C. McIntosh, Arlington, Virginia and Donald S. McGregor, Houston.

4. Owen D. Murphy, Jr., Boston; Leo Mendel, Birmingham; H. L. Sudduth, Panama City, and Carl C. Mullen, Boston.

5. Among this group are Wilmer A. Pracht, Pittsburgh; A. D. Harrington, Philadelphia; James M. Walsh, Pittsburgh; and James J. Conti, Harrisburgh, Pa.

6. James E. Woodruff, New York; Milton T. MacDonald, Wilmington, Delaware and H. J. Mendon, Los Angeles.

Clinic in Albuquerque

Ever a pioneer, MBA is constantly taking its meetings to places where none has been held before. Reason is obvious: while the membership is expanding everywhere, it's expanding more in some areas than in others. One of these places is New Mexico where, not too many years ago, there was only token representation. But then, not too many years ago New Mexico was not the place it is today. Since 1947-49, it's picked up 32 per cent in population as against a total U. S. gain of 12 per cent. Income is up 84 per cent as against 51 per cent, business activity up 98 per cent as against 42 per cent for the country as a whole and manufacturing sales up 189 per cent as compared to the U. S. increase of 159 per cent.

So Albuquerque, as clean and modern a city as exists anywhere (and celebrating its 250th anniversary in July), was the next MBA stop. Servicing and production of loans took up two of the three Clinic sessions. At the other, members heard some things that held special interest for them—Aksel Nielsen speaking on the regional mortgage market and Vice President John F. Austin, Jr. speaking on How to Get Investors to the Southwest.

The Southwest, experiencing the most acute growing pains on any section of the nation, does not have the capital to finance its rapid expansion. If one would expect the present tight money situation to be acutely felt anywhere, it should be here. It has made a difference, but the complaints one might logically expect were not heard.

Analyzing the credit prospects, President Lindell Peterson told the clinic that "it is possible to assume that at least some mild relaxation of credit will develop over the next several months. Unless strong deflationary forces came into play than are now apparent, however, it is unlikely that this development will get any boost from the Federal Reserve. As best as may now be foreseen, the prospect is for a supply of funds, at relatively high interest rates, sufficient to assure a gross national product for the year slightly higher than the rate in the first quarter.

"Generally speaking, the sources of demand for investment funds should be able to adjust to the conditions in prospect without suffering marked curtailment of activity. Housebuilding may not, because of institutional characteristics peculiar to it."

He said that, by standards of the past, 1956 will be a good building year.

"During the next two or three months, the outcome will probably be resolved. My own feeling is that housing starts this year may yet hit a total of 1.2 million or slightly better, and that at worst they will not fall below 1.1 million.

"At best, however, this may look like a rugged year for the mortgage banker. He will find builders and borrowers clamoring for more money than he can produce. He will find investors especially hard to please, as they always are when there isn't money enough to go around. He will be faced with a situation, economically and politically, in which, more than ever, he will have to have a keen realization of his manifold responsibilities to the society which he serves."

One of the Albuquerque clinic panel groups and, below, left to right, standing, R. M. Elder, Albuquerque National Bank; O. D. Propps, Jr., Western Investments, Inc., and Albuquerque MBA president, and A. F. Potenziani, Mountain States Investment Corporation.

Seated, left to right, Paul J. Vollmar, Jr., Realty Mortgage and Investment Company, Albuquerque who spear-headed the clinic organization; President Lindell Peterson and George H. Patterson, MBA secretary.

San Francisco Conference

The pattern was roughly the same as the MBA Conference and Clinic tour continued on to the Golden Gate City of San Francisco. As the financial capital of the West Coast area, credit policies were uppermost in the minds of those gathered at the Fairmont. But for this meeting, one of the country's foremost authorities on U. S. monetary policy was there to give his opinion—something he had not done recently until our meeting. He was Marriner S. Eccles former chairman of the board of governors of the Federal Reserve System.

"I believe this current policy was justified because of the too rapid growth of consumer and mortgage credit which commenced more than a year ago. Inflationary pressures were developing, proving that the people were trying to improve their standard of living faster than total production warranted. While I believe that consumer credit and liberal housing terms serve a useful purpose in our economy, they should not be permitted to grow faster during a period of high prosperity than the growth in the national product. Otherwise, the time will surely be reached when such growth cannot be maintained and resulting deflationary pressures will accentuate the problem.

"Our standard of living depends upon our total production of goods and services, and not upon the amount of money we create. Out of the total income from production, all taxes must be taken. Then there must be saved, in the aggregate, by individuals and corporations, sufficient amount to provide for the financing of our needed new productive facilities. All our public utilities, commercial buildings and housing should also be financed out of these savings."

But difficulties lie ahead, he said, problems which, he asserted, are going to take more than credit and fiscal decisions to solve.

"At the present, the company appears to be in a state of uneasy balance. But looking beneath the surface I perceive difficulties ahead that will require more than monetary and credit action to solve.

"A continuation of the Federal Reserve's present tight money policy would stop the growth of the money supply and consequently the growth of the economy. I have always maintained that in a dynamic economy you could no more put a ceiling on the money supply than you can on production and employment. An attempt to stop inflation by doing this would mean that the economy would be halted at the present level of a $400,000,000 national product at present prices.

"This is inconceivable when we

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Seen in San Francisco: Bradford M. Melvin, II, American Trust Company, San Francisco; Richard L. Holl, Baldwin & Howell, San Francisco; Richard F. Dwyer, Dwyer-Curlett & Co., Los Angeles; Jack Smith, The National Life of Vermont, Los Angeles; and John J. Lyman, Dwyer-Curlett & Co., Los Angeles.

Above, speakers table in the Fairmont's unique Tonga Room where a pool separates the speaker from his listeners which, as for the former in this instance, was D. C. Sutherland of Bank of America giving the conferees a glimpse of what has gone into the building of The Dynamic West and what is ahead. Below, some who were there: Linden L. D. Stark and H. R. Ehlers, Crocker First National Bank of San Francisco; Philip C. O'Connell, Huntoon, Paige & Co., New York; E. V. Taylor, Crocker-Anglo National Bank, San Francisco and D. Clair Sutherland.

MBA Clinic in Seattle

Everywhere in the West touched by the MBA Conference-Clinic train one significant fact was inescapable: the tremendous surge of growth which hit this area during and after the war continues unabated, and there is little reason to expect a decrease in the foreseeable future. Seattle has been a growth leader, and in that department is still right at the top of the list. At this Northwestern Clinic a representative audience heard an excellent one-day's discussion of servicing followed by two days of general comments. Among the latter:

J. J. Braceland, vice president, The Philadelphia Saving Fund Society; "The savings banks are and will continue to be a very vital factor in the national lending field. New money flowing into our institutions has not kept pace with the flow of previous years. Our deposit gain has nevertheless been steady, if unspectacular, and all of it has been channelled into the mortgage market. The rate of growth of our mortgage portfolio has far exceeded the rate of growth in deposits. In addition to the money obtained from our deposits, all of the funds obtained from the sale of securities have been diverted to the mortgage market.

"We are mortgage-minded, and I think we will continue to be. Many of the New York savings banks which are more heavily invested in mortgages are under the necessity of paying 3 per cent interest to their depositors and this can be accomplished these days only by a substantial investment in mortgages. Remember too, that for the \$17½ billion portfolio, we have a run-off of approximately 10 per cent to reinvest. It

(Continued on page 51)

Seen in Seattle: Upper left, Dr. Paul Wendt, University of California; President Lindell Peterson; Ben J. Smith, Seattle Mortgage Company; William A. Branigin, Carroll Mortgage Company, and Seattle MBA president; and Vern R. Steffensen, First Security Bank of Utah, Salt Lake City.

Lower left, Kenneth J. Morford, Burwell & Morford; Carl Scheuch, Jr., Puget Sound Title Insurance Co., and Herndon McKay, The National Bank of Commerce.

Upper right, welcoming an Alaskan member. William A. Burnett, Continental, Inc. Seattle; Roger G. Laube, National Bank of Alaska in Anchorage, Alaska and George H. Patterson, MBA Secretary.

Checking the registration list: Howard Helmich, National Mortgage, Inc., and W. E. Lawrence, Mortgage Finance Corporation.

Objective Attained

With the inauguration of Course III at Northwestern University this year, the MBA School of Mortgage Banking will reach the full stature planned for it

By **ROBERT J. BERAN**

NEXT month, MBA will witness the attainment of a long-cherished goal when Course III makes its introductory appearance in the curriculum of the School of Mortgage Banking, thereby bringing to fulfillment the Association's three-year program of formalized training for mortgage banking personnel.

To be held July 1-7 on the downtown Chicago campus of Northwestern University, Course III will be devoted to a thorough survey and analysis of "Mortgage Loan Investment Policies and Practices" and "Special Considerations of the Mortgage Banking Profession."

The traditional buffet supper and get-acquainted meeting will be held the evening of Sunday, July 1, from 5 to 7:30 P.M., in the University's Abbott Hall. MBA President Lindell Peterson will speak on "Your Future in Mortgage Banking."

Actual class sessions and lectures will begin Monday morning, July 2, at 8:30 A.M. Topics to be covered that first morning include: "Decentralization and Urban Renewal: Its Effect on Income Properties," by Albert M. Cole, HHFA Administrator, Washington, D. C.; and "Population: Trends, Migrations, Family Formations, Etc., as Factors Affecting Real Estate Trends," by Dr. Phillip M. Hauser, professor of sociology, University of Chicago. Dr. Hauser formerly was with the U. S. Bureau of Census in Washington, D. C.

The afternoon session will consist of a panel discussion on "Processing and Analyzing Special Purpose Properties." Serving as moderator will be G. A. Golden, associate superintendent of mortgages, Sun Life Assurance Company of Canada, Montreal. Fellow panel members will include Eugene S. Ovenshine, vice president, New York Life Insurance Company, New York; Paul J. Vollmar, vice president, McElvain Mortgage Co., Chicago; D. R. Beaumont, president, D. R. Beaumont & Company, Chicago; Arnold Moeller, secretary, B. C. Ziegler and Company, West Bend, Wisconsin. Office buildings, motels and hotels, apartments, industrial property and warehouses will be among the types of properties to be discussed, as will churches, hospitals, educational institutions, theatres and recreational facilities, motor terminals, filling stations and other miscellaneous structures.

Tuesday's morning session will open with a talk, "Inside Official Washington," by Samuel E. Neel, MBA general counsel in Washington, D. C. Robert H. Pease, vice president, Draper and Kramer, Inc., Chicago, will follow with a detailed analysis of "The Significant Role of Statistics in Mortgage Banking." His lecture will cover the sources and assimilation of statistics and data vital to the industry, the interpreting of statistics intelligently, and the development of adequate and appropriate statistical records.

In the afternoon, Dr. Homer V. Cherrington, professor of finance, Northwestern University, will speak on "Appraising the Economy." Thomas J. McNichols, associate professor of business administration and finance, Northwestern University, and research coordinator of the Business Executives Research Committee of Chicago, will discuss "Modern Industrial Growth and Its Effect Upon the City." The afternoon will conclude with a field trip and dinner at the Prudential Life Insurance Company Building in Chicago.

On Wednesday morning, July 4, Dr. Cherrington and Dr. Torgerson, professor of finance, Northwestern University, will present a combined lecture on "Selected Factors Influencing the Supply of Mortgage Funds."

That afternoon "Property Valuations—Effect of Current Yields on Capitalization Rates," will be the topic of a talk by Ernest P. Schumacher, executive Vice President, United Service & Research, Inc., Memphis, Tenn. Following Mr. Schumacher, Dr. Arthur O. Dahlberg, director, Visual Economics Laboratory, Department of Economics, Columbia University, New York, will present a "Portrayal of National Income."

The morning session on Thursday will be comprised of an analysis of "Mortgage Loans in Competition with Other Forms of Investment." The topic will cover life insurance companies, mutual savings banks and pension funds. In the afternoon, King Upton, vice president, The First National Bank of Boston, Boston, Massachusetts, will speak on "Banking the Mortgage Banker." Mr. Upton's topic will include: credit evaluation of the mortgage banker, collateral lines of warehousing credit and construction financing.

Friday, July 6, will be the final day of classroom sessions, and will consist of an all-day symposium on mortgage banking.

John F. Austin, Jr., MBA vice president, president, T. J. Bettes Company, Houston, will serve as moderator. He will also cover the topic of "Branch Office Operations." Other participants and their topics are:

Walter C. Nelson, president, Eberhardt Company, Minneapolis, "Servicing Operations—Relations with Investors and Borrowers;"

W. C. Rainford, president, Mer-

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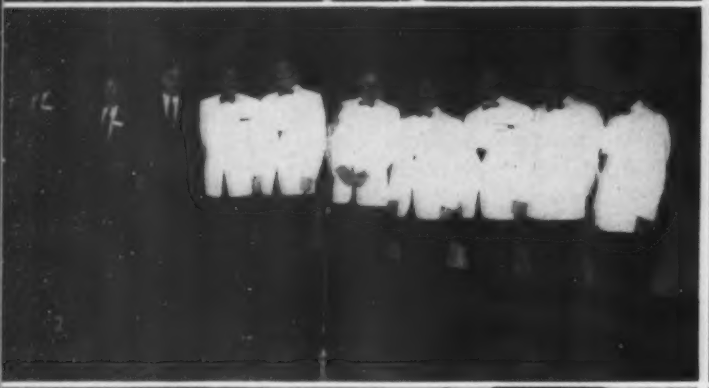


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Convention, Texas Style

←HOW THEY DO IT IN TEXAS

Some glimpses of what went on at a mortgage meeting, the equal of which is not seen elsewhere in the country:

1. New officers: J. DuVal West, re-elected secretary-treasurer; John F. Austin, Jr., retiring president; Ames L. Gill, new president; and James J. Teeling, new vice president.

2. All together: the directors: Geo. D. Mulloy, Houston; D. L. Welch, Austin; Herman van Maanen, Dallas; Everett Mattson, Houston; Clyde L. Fincher, Harlingen; W. W. Milburn, Snyder.
Retiring President Austin and the new officers Ames L. Gill, San Antonio; James J. Teeling, Dallas and J. DuVal West, Dallas.

3. Ancel E. Greene, Ancel E. Greene & Company, Waco, wins the annual J. E. Foster Award for outstanding service to Texas MBA during the year. With him, retiring President Austin and Everett Mattson, vice president, T. J. Bettes Company, last year's winner.

4. Mr. Austin is presented his "President's Certificate" for 1956 by G. R. Swantner, Corpus Christi.

5. Republic National Bank senior officers entertain Texas MBA officers. Here, Walter Brogdon, J. DuVal West, TMBA; Oran H. Kite, John F. Austin, Jr., TMBA; E. E. Wallace Jr., Leland S. Dupree, Oscar C. Bruce, W. D. Baker, and Ames L. Gill.
It-could-only-happen-in-Texas Department. Every Texas MBA Convention features a costume party, this year a Circus Carnival affair. It was a gala occasion, as anyone who has been to a Texas Convention can well appreciate. Some who were there:

6. Maynard Bartram, Connecticut General, Hartford; Mrs. Lewis Grinnan, Dallas; Mrs. Paul Crum, Dallas; Paul Crum, Dallas; Mrs. Herman van Maanen, Dallas; E. Gordon Smith, Lawyers Title, Dallas.

7. Take our word for it, these identifications are correct: Frank J. McCabe, Jr., of MBA; Mrs. George H. Patterson—and now look closely—MBA President Lindell Peterson; John F. Austin, Jr.; Mrs. John F. Austin, Jr.; Mrs. Lindell Peterson; Mrs. LaVeta Geimer, secretary to Mr. Austin; and George H. Patterson, MBA.

8. Dudley Brutsche, Fort Worth; Mrs. Dudley Brutsche; John L. Lewis, Fort Worth; Mrs. John L. Lewis; Mrs. J. DuVal West; J. DuVal West; Mrs. W. W. Fair, Jr., and W. W. Fair, Jr., Dallas.

9. This group, "The Leopards," took first prize at the Circus-Carnival Party. They're all from Couch Mortgage Co., Houston. Standing: O. Dean Couch, Jr.; Mrs. Marie Mathieu; Mrs. Ethel Bogdanow; and Phil Downing. Seated: Patsy Sue Lyles, Mrs. O. Dean Couch, Jr., and Bill Baker.

10. Mrs. and Mr. Jim T. Nichols, with Edwards-Northcutt-Locke, Inc., Dallas; snapped in front of the Clown face entrance to the Grand Ballroom.

It's expected in Texas: everything has to be bigger and better than it was before. Down that way they won't settle for less, and few are the times when they have to. And that's the way it was at the Texas MBA 40th annual Convention in Dallas (just two fewer Conventions than MBA has held). Organized in 1917 as the Texas Land Mortgage Bankers Association (MBA was originally the Farm Mortgage Bankers Association), the Texas group has been sponsoring a meeting annually the like of which isn't duplicated anywhere else in the country.

This year registration pushed 900 of which more than 200 were from out of state—Texas is the largest regional mortgage association in the country but its annual meeting has come to have nation-wide appeal. And it was strictly a mortgage meeting, too; registration is rigidly confined to members and invited guests.

There is heavy emphasis on social events, as some of the photographs from the Statler Hilton in Dallas indicate, but the program was a serious affair. Top officials concerned with activities touching the mortgage industry can always be found on Texas rostrums. This year, as one might expect, the tight money market was of interest to everyone and there was a lot of discussion about it. Members looked at FHA, VA and FNMA in the light of current conditions. But some new things were added, such things as air conditioning as a factor in today's markets.

Next year the group goes back to San Antonio for its 41st.

PANEL GROUPS

11. Aubrey M. Costa, past president of MBA, moderates a session devoted to a variety of subjects. With him, Jack Towne, Fort Worth; E. C. Greene, Dallas; R. P. Russell, Houston; Jerry B. Frey, Jr., Dallas; and James Biddle, Dallas.

12. Robert M. Morgan of Boston moderates the session on FHA and VA. With him, J. Stanley Baughman of FNMA; FHA Commissioner Norman Mason; W. E. Weaver, Nashville; E. E. Wallace, Dallas; Thomas J. Sweeney of VA, and Pat Davis.

INTERIM FINANCING WITH A COMMITMENT

IN the December, 1955 and January, 1956 issues we published the first two sections of a report on interim financing and the experience of MBA members, made by a sub-committee of the Research Committee. The purpose of this concluding article is to process by region, without regard to size of company or any other conditions, the results of the original questionnaire which was returned by 287 companies, of which 255 supplied the information regarding interim financing with a commitment. These data are published for information only. The 12 MBA regions (with two additional classifications) are shown and the tabulations for each one covering each question which the Committee submitted. The foot note at the bottom of this page shows returns from each of the regions.

	MBA DISTRICT														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
1. Do other banks participate in taking the amount of the loan?															
(a) Yes	3	10	20	1	1	13		4	7	10	4	4	1	2	80
(b) No	6	12	15	14	14	15	17	13	16	13	12	12	1	3	163
2. Does the bank lend the full amount of your loan?															
(a) Yes	6	15	24	8	11	25	4	11	13	17	12	9	2	3	160
(b) No	5	8	11	8	5	7	13	9	10	6	3	7		3	95
3. If bank will not lend full amount what percentage?															
99—99.5		3													3
96—98		2	1		1		1		2						7
92—95		1	5		1		1	3	1	3	1	2			18
90	2		1	4	2	1	11	5	4	1		2			33
85—89				2			2								4
80—84							1	1							2
Below 70						1									1
Varies	1	1	1		1										4
4. Do you send all papers to the bank?															
(a) Yes	8	14	23	10	9	10	11	14	16	13	11	13	1	3	156
(b) No	1	9	13	5	7	21	6	5	9	10	5	4	2	2	99
5. Do you have an agent of the bank in your office who is also your employee?															
(a) Yes		4		1		1			1						7
(b) No	9	19	36	15	17	30	19	19	23	24	17	8	2	5	243

Region 1—Based on 9 returns, Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont

Region 2—Based on 27 returns, Delaware, Maryland, Pennsylvania, Virginia, West Virginia and the District of Columbia

Region 3—Based on 38 returns, Florida, Georgia, North Carolina, South Carolina

Region 4—Based on 18 returns, Michigan and Wisconsin

Region 5—Based on 20 returns, Indiana, Kentucky, Ohio

Region 6—Based on 31 returns, Alabama, Arkansas, Louisiana, Mississippi, Tennessee

Region 7—Based on 20 returns, Iowa, Minnesota, Nebraska, North Dakota, South Dakota

Region 8—Based on 25 returns, Illinois, Missouri

Region 9—Based on 28 returns, Colorado, Kansas, New Mexico

Region 10—Based on 23 returns, Texas

Region 11—Based on 19 returns, Idaho, Montana, Oregon, Washington, Wyoming

Region 12—Based on 21 returns, Arizona, California, Nevada, Utah

Region 13—Based on 3 returns, Outside of U. S.

Region 14—Based on 5 returns, non-identifiable

	MBA DISTRICT 1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
6. What is interest rate which your interim financing carries?															
3¼%		2						1							3
3⅜		1													1
3½	1	5	1			3		4							14
3¾	2	2	1	4	1			2	1				1	1	15
4	2	5	20	6	2	17	1	7	15	12	3	7		2	99
4¼	1	2	3	1	3	1	4	3		4	2	1		1	26
4½	1	8	10	4	5	4	10	8	6	6	7	4		2	75
4¾		1			1	1	1					1			5
5	1	2	3	1	3	2	2	1	3	2	2	4			26
5½									1		1				2
6		1	1							1	1				4
Varies	1	1	1	1	2	1				1					8
7. Is the interest rate which you are required to pay tied in with the prime interest rate in New York City?															
(a) Yes	3	5	5	3	1	2	1	1	3	4	1	3	1	1	34
(b) No	6	16	25	11	13	18	16	11	18	12	12	11		3	172
8. What amount of escrow funds do you have on deposit at your bank?															
Less than $1,000			1				1								2
1,000— 10,000			3		1	2	2		2			1	1	1	13
11,000— 20,000		2	3			3		2		2	1				13
21,000— 50,000	3	1	7	1	3	5	2	3	3		1	2			31
51,000— 100,000	3	3	3	3	4	7	2	4	4	4	2	3		1	43
101,000— 150,000		3	2	1	3	3	5	2	2	2	1	2			26
151,000— 200,000		2	3	2			4			2	2				15
201,000— 250,000			2		1	3	1		1	1		3			12
251,000— 350,000		1	2	1		1		3	1	4	2	3		1	19
351,000— 500,000		1	1	2					1		1			1	7
501,000—1,000,000	1	2	1	2	1	2		1		2					12
over 1,000,000		1	1	1					1	1		1			6
9. What percentage of total escrow funds do the above amounts (in No. 8) represent?															
100%	3	7	14	8	3	11	11	10	8	5	6	11	1	2	100
95—99%		2	2	2	1		3	1		1					12
90—94%		1	1			4	2		1	2	1				12
80—89%	2	1	3	1	2	2		2	1	2		1			17
70—79%		1	1	1	2			1	1	2	2				11
60—69%			2		1	2		1		1		1			8
50—59%		2	3		2	2			2	2		1		1	15
40—49%	1				1	1				2	1				6
30—39%			2							1				1	4
30% or less	2	2			1	2	1	1							9
10. *In day-to-day transactions*															
A. Does the bank require recording assignments of mortgages to it?															
(a) Yes	3	1	4		4		1	1	2	1	2	3		3	25
(b) No	6	21	31	15	12	30	17	18	22	22	14	14	1	3	226
B. Does the bank require a guarantee of repurchase or substitution in the event of default?															
(a) Yes	3	10	17	7	6	15	4	4	6	8	7	12	1	4	104
(b) No	6	13	17	8	9	16	14	15	18	14	9	4		1	144

	MBA DISTRICT														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
C. Does the bank ship the mortgages directly to the permanent lender?															
(a) Yes	3	12	21	10	9	10	2	11	21	15	10	11		3	138
(b) No	6	10	17	5	7	20	16	8	4	9	6	5	1	2	116
D. Are the proceeds of mortgages from permanent lender remitted:															
(a) To you	2	9	11	3	4	14	13	6	7	5	4	7	1	1	87
(b) To the bank	8	14	26	12	14	14	5	14	21	19	12	12		4	175
E. How is interest paid?															
(a) Monthly on outstanding balances	6	13	22	9	2	15	8	10	5	8	8	8		2	116
(b) On repayment of each mortgage	3	7	17	7	11	10	8	6	18	13	7	10	1	3	121
(c) On purchase			5	1						1		1			8
(d) Varies							1	1	2	2	1				7
F. Does the bank require a complete set of papers with exception of VA guarantee or FHA endorsement and title policy?															
(a) Yes	6	15	22	10	6	10	13	7	17	16	11	11	1	4	149
(b) No	3	7	12	4	9	20	5	12	6	7	4	5		1	95
G. Do mortgages warehoused include FHA, VA, and Conventional mortgages															
(a) Yes	9	20	24	15	12	30	16	15	21	22	15	13	1	5	218
(b) No		1	5		4	1	1	3	2	1		3			21
H. Do you have separate lines for each of the mortgage types listed above in section G?															
(a) Yes		1	1		1		1	2		2	1	1	1	1	12
(b) No	8	19	32	15	15	31	17	16	22	21	14	12		4	226
I. Are mortgages you warehouse:															
(a) Deposited as collateral to a note	8	19	29	14	11	28	17	19	23	23	15	16		5	227
(b) Purchased outright by the Bank and held for your account	1	4	5	1	5			2	3	3		1	1	1	27
11. Do you carry fidelity bond coverage?															
(a) Yes	7	19	33	12	14	29	14	15	21	20	13	15	1	5	218
(b) No	1	2	1	3	2	2	2	2	2	3	1	1			22
In What Amount?															
10,000 or less			5		3	4	1	1			3			1	18
11,000— 25,000	1	6	7	1	4	8	4	5	6	2	2	2		1	49
26,000— 50,000	2	3	7	3	3	9	3	1	3	6	4	4		1	49
51,000— 75,000			2	1			1	2			1				7
76,000—100,000	3	3	7	2	2	5		2	5	3		4			36
101,000—200,000		3	1	2	1		3		3	2	1	3		1	20
201,000—300,000	2	1	1	2		2		2				1		1	12
over 300,000										3					3

MBA DISTRICT

I. Are mortgages you warehouse:															
(a) Deposited as collateral to a note	6	8	9	6	5	11	7	9	13	12	5	7		3	101
(b) Purchased outright by the bank and held for your account	1	2	4	1	1			1	3	1				1	15
11. Do you carry fidelity bond coverage?															
(a) Yes	4	8	11	6	7	10	7	9	13	12	7	6		3	103
(b) No	1	1					1		2						5
In what amount?															
10,000 or less			2			2		1			1			1	7
11,000— 25,000	1	2	1		2	3	1	3	2	1	1	1			18
26,000— 50,000	1		4	1		3	3	2	2	4	3	1		1	25
51,000— 75,000			1	2											4
76,000—100,000		2	2	1	3	2		1	2	2		2			17
101,000—200,000		3		1	1		1		4	1		2			13
201,000—300,000	1		1	1	1	1		1				1		1	8
over 300,000										3					3

NEW YORK CONFERENCE

(Continued from page 39)

it. Except in isolated instances, the effort to rehabilitate the decaying areas of our cities, eliminate slums and halt the growth of blighted sections has failed, and what it is going to take to achieve success is to put the profit motive into the movement—not try to take it out, **W. D. Galbreath** said. He is president of Percy Galbreath & Son, Inc., Memphis, and chairman of the City Planning Commission in that city.

So far, Mr. Galbreath declared, despite all the work which has gone into efforts to do something of importance in urban renewal, it "has not gotten off the ground."

Linked to the problem of blight are all the countless other urban problems with which cities everywhere are contending. **Mayor Oscar Holcombe** of Houston, one of the recognized authorities in grasping the significance and importance of them, told the Conference that vitally essential in solving these urban problems is the need to plan for growth—"the city must plan for them before the land becomes urban. The city must have a sound annexation and development policy. The city must protect its right to grow. Without this ability to expand, it dies."

Equally important in this on-coming crisis of the American city is the problem of taxation.

"It is time for a reappraisal and reallocation of tax burden and financial responsibility among the city, county, state and federal governments. If it is fair for the state to subsidize county roads, then it is fair to subsidize city streets. If it is the motorist who uses and makes necessary the construction, the maintenance, the lighting and the policing of city streets, perhaps the motorist should bear more of the cost rather than the real property owner."

Above all else, declared Mayor Holcombe, is the problem of urban transportation.

"No major urban area in America has solved its mass transportation and traffic congestion problem. To achieve a balance in the conflicting claims and pressures on the complex question of mass transportation and traffic will require the clearest thinking and scientific control.

It was a large meeting, a record for the annual New York Spring Conference. Nearly 1300 attended and there was the usual heavy concentration on investors who, on this occasion, did more conferring in the corridors than usual. What they had to say was principally "no."

>> DEVELOPMENTS IN FNMA: Volume of FNMA's purchases during April under its secondary market program were \$22.5 million compared to \$25.1 million during March, continuing the decline in the rate of new acquisitions noted a month earlier. Through May 18th, purchases for the month amounted to around \$12.6 million, a weekly average under that for April. VAs have been representing around four-fifths of the total purchases.

Offerings to FNMA showed an increase of almost one quarter in April, with early May figures indicating a continuation of this upward movement.

At the end of April, secondary market holdings were \$177.6 million (\$137.7 million in VAs); undisbursed commitments totaled \$27.7 million (\$22.9 million in VAs). Stock subscriptions totaled about \$5.4 million.

Since the inception of the program in November 1954, FNMA's Dallas office has accounted for about two-fifths of total secondary market activity, with the Chicago office accounting for about one quarter. Los Angeles follows with about 18 per cent; Atlanta, approximately 12 per cent; and Philadelphia, about 6 per cent.

No special-assistance FHA or VA loans were purchased during April, the only activity under this program being the authorization of an additional \$4.5 million of FHAs.

At the end of April, a total of \$351,000 was held in special-assistance mortgages, which with a single exception represents FHA mortgages.

Mortgage Clinic in Detroit

Panel on mortgage market outlook: Stuart Micklethwaite, The Maccabees, Roland A. Benge, The Detroit Bank; Walter Gehrke, First Federal Savings & Loan Association; Robert A. Taggart, Hannan Real Estate Exchange, Inc.; and Alfred F. Taylor, General American Life Insurance Co. Program participants: Wendell O. Edwards, director, Detroit office, FHA; Robert J. Hutton, Standard Federal Savings & Loan Association; James F. Schwerin, Detroit office, VA; Rodney M. Lockwood, president, Builders Association of Metropolitan Detroit; William J. Stepek, Detroit MBA; Homer B. Wells, secretary-treasurer, Detroit MBA; and Willis H. Hall, secretary-manager, Detroit Board of Commerce.

Several hundred mortgage bankers and office personnel attended the annual Spring Mortgage Clinic of Detroit MBA. Raymond M. Foley, former HHFA administrator, was the chief speaker. Now a mortgage and housing consultant in Washington, he predicted congressional action to furnish housing, both public and private, for the elderly, simplification of the urban redevelopment program and that for co-operative housing, some extension of the GI Bill of Rights due to expire July 25, 1957, and a strong effort to give FNMA advance commitment authority so it can engage to buy home loans at some future date.

Panels covered such topics as an analysis of the mortgage market, nationally and in the Detroit area, new FNMA policies, business machines in mortgage banking, Detroit industry diversification, the residential building plans and outlook and FHA and VA developments.

Central Florida MBA Has Been Organized

Frank W. Reed, trust officer, The First National Bank at Orlando, Orlando, Florida, has been elected president of the newly-organized Central Florida MBA. Other officers elected at the group's inaugural meeting include vice president, James H. Snellings, executive vice president, Florida Mortgage Service, Inc.; secretary, Wayne Cooper, partner, Cooper & Jones; treasurer, Henry B. Hall, vice president, Hall Brothers, Inc.

>> **MERGER:** Two Arizona mortgage companies, Western States Mortgage and Investment Corporation, and Commerce Mortgage Company, merged to form Western Mortgages, Inc. This new Phoenix firm is headed by Mel Decker, as president, and Roy F. Flesh, as executive vice president. Formal opening of the firm's new quarters, at 1129 North First Street in Phoenix, took place June 15.

Miami MBA President Is Frank G. Dezell

Frank G. Dezell, president, Southeastern Mortgage Company, has been elected president of the Greater Miami MBA, succeeding Henry E. Wolff, president, Henry E. Wolff Company. Elected to serve with him are as vice president, Bowen Nelson, president, Nelson Mortgage Company, Inc., and as secretary-treasurer, Charles Contopoulo, executive vice president, Federal Title and Insurance Corporation.

Standing, Mr. Dezell; seated, left to right, Mr. Nelson and Mr. Wolff.

Three directors were chosen to serve with the current officers and the immediate past president on the Board of Control, Cliff H. Bretthauer, president, Bretthauer Mortgage Company, Frederick W. Campbell, vice president, First National Bank of Miami and F. W. Crozier, vice president, Houser Co., Inc.

Included in the group's program of proposed undertakings for the year are cooperation with the Home Builders Association in the area on matters of FHA and VA importance, cooperation with the legislative committee of the Florida MBA, broader recognition of the local group through an expanded public relations program at the local level.

OBJECTIVE ATTAINED

(Continued from page 43)

cantile Mortgage Company, Granite City, Illinois, "Capital Requirements for Mortgage Firm Establishment and Operations;"

George W. DeFranceaux, president, Frederick W. Berens, Inc., Washington, D. C., "Legislative Influence in Mortgage Banking" and "Transition from Small to Large Operations." The latter topic will include administration, personnel, facilities and equipment, etc.

Also participating in the symposium will be Robert H. Pease, "Locating and Developing New Sources of Mortgage Investment Money;"

George H. Dovenmuehle, president, Dovenmuehle, Inc., Chicago, "Attributes of a Good Mortgage Banking Executive;"

Lindell Peterson, MBA president, "Management Succession and the Importance of Adequate Planning;"

William A. Clarke, president, W. A. Clarke Mortgage Co., Philadelphia, "My Impressions of the Mortgage Banking Profession.

Symposium Discussion

Following the symposium, there will be a period of student questions at which time students may direct questions to the panel members on any phase of the symposium or on any phase of the mortgage banking profession. A special class meeting will conclude the afternoon session.

Monday evening, July 2, from 7 P.M. to 8:30 P.M., and Thursday afternoon, July 5, from 4 P.M. to 5 P.M., have been especially set aside as periods for informal group discussion on current developments. For these periods, the class will be broken into smaller groups, according to alphabet. Course lecturers will serve as discussion leaders at these informal discussion sessions.

The curriculum includes also regularly scheduled study periods; and, of course, there will be a written final examination, Saturday morning July 7, 8:30 A.M. to 11:30 A.M.

VIEWS OF ECCLES

(Continued from page 41)

take into consideration the necessity of absorbing an increased labor force of more than three-fourths of a million a year—as well as the fruits of increased productivity (amounting to 2 per cent or more a year) which technological developments have made inevitable.

"Any monetary or credit policy aimed to halt inflationary pressures under present conditions must recognize that the monopolistic practices of big labor and big business are first as important as the control of the money supply. As long as organized labor demands increasing wages and fringe benefits, which are reflected in prices—an unbridled inflationary force will be at large.

"I believe that another essential factor in the present situation is the necessity of ultimately decreasing government expenditures, especially in the Military and Foreign Aid fields as a means of reducing those taxes—especially corporate, which would increase mortgage and other investment funds. Such a program would add to savings; reduce the need for credit, and be anti-inflationary in its effect."

CLINIC IN SEATTLE

(Continued from page 42)

would look then that from this source alone, we will have close to two billion dollars to reinvest each year. We may not, of course, lose sight of the fact that we are a banking institution and that we must maintain a degree of liquidity. We art not committed to the making of mortgage loans in the same degree as the federal savings and loan associations. These lenders are organized for the express purpose of making mortgage loans. Our problem is somewhat different. The dollar that comes in our front door will find its way either into a bond portfolio or into the mortgage department, depending upon which division puts up the best talk; and by this, I mean the highest yield consistent with safety. For the past ten years, the mortgage market has had all the best of it, and I believe that we can still keep open water between us and our competition in the securities market, even though the yield in high-grade bonds has shown a spectacular rise in recent months.

"I think we will continue to be active seekers after prime mortgage investments for the foreseeable future and if new construction is curtailed to any marked degree, mortgage funds should be ample to meet all reasonable demands."

Roy E. Huber Is New Iowa MBA President

Roy E. Huber, vice president, Valley Bank and Trust Company, Des Moines, was elected president of the Iowa MBA at its annual meeting. E. Harold Carlson, assistant cashier, Central National Bank & Trust Co., Des Moines, was elected vice president and J. Don Wissler, vice president, Home Federal Savings & Loan Association, Des Moines, secretary-treasurer.

Members of the board of governors named were Richard T. Lindberg, president, First Federal Savings & Loan Association, Fort Dodge; M. S. Olson, vice president, General Mortgage Corporation, Des Moines; Robert Wilson, vice president, Wynkoop Mortgage Corporation, Waterloo; Arnold Peters, vice president, Jasper County Savings Bank, Newton and W. E. Hay, vice president, Iowa Securities Company, Davenport.

Regional vice presidents elected were E. P. Juel, president, First Federal Savings & Loan Association, Council Bluffs, A. M. Halsor, vice president, First National Bank, Mason City; Dale Tullis, vice president, First Federal Savings & Loan Association, Davenport; Russell Hill, vice president, Iowa Securities Company, Waterloo; N. J. Greteman, vice president, American Trust & Savings Bank, Dubuque and Clyde Roe, president, Conservative Bond & Mortgage Company, Sioux City.

Speakers included MBA President Lindell Peterson and Frank J. McCabe, Jr. of MBA, William J. Goodwin, chairman, Central National Bank and Trust Co., Des Moines, Walter Robinson, State VA Director, F. H. Bauman of FNMA and Frank Wahrman, State FHA Director.

Fred W. Crozier has assumed his new duties in Jacksonville as vice president of the Bisbee-Baldwin Corp.

Crozier was formerly director and vice president of Florida Bond and Mortgage Co. of Miami. His new duties will entail general charge of the mortgage production department.

Active in the Miami mortgage business for 25 years, Crozier is a former president of the Greater Miami MBA and at present is a director of that group.

Robert A. Taggart, 1954 president of the Detroit MBA, has been elected president of Hannan Real Estate Exchange, Inc., Detroit. Taggart had been executive vice president and succeeded to the presidency on the retirement of Henry N. Johnson.

Transfer from Los Angeles to Beverly Hills of the Western mortgage loan office of The Mutual Benefit Life Insurance Company was announced by Paul A. Nalen, vice president and manager of the company's city mortgage and real estate investment department.

PREFAB CHANGES: Pease Woodwork Company has set up a new department to provide counsel to home builders and buyers on the financing of Pease Homes. John W. Pease, president, announced the appointment of **James M. Riffe** as head of this new department. Riffe had been previously affiliated with Prudential in its mortgage loan department, and with the Cincinnati Federal Savings and Loan Association as a field man and appraiser.

Election of **George A. Cowee, Jr.**, as vice president for sales by the board of directors of National Homes Corporation was announced.

Ray Champion has been named director of advertising and merchandising of Harnischfeger Homes, Inc., manufacturer of prefabricated homes.

Donald V. McCallum, vice president and manager of the San Diego office of Security Title Insurance Company, Los Angeles, was elected to the company's board of directors. . . . **James F. Lowery,** formerly assistant treasurer and assistant vice president of the Eastern Mortgage Service Co., Philadelphia, has been appointed treasurer.

George W. DeFranceaux, president, Frederick W. Berens, Inc., announced that **William S. Boteler** has been named manager of the conventional loan department and **Ralph C. Boyd** has been named manager of the insurance department. Boteler was formerly Senior Correspondent for Acacia Mutual Life and a member of their investment committee for 22 years. Boyd was formerly district manager for the Nationwide Insurance Companies for Northern Virginia.

New Members in MBA

CALIFORNIA, *Los Angeles:* Housing Securities, Inc., John E. McGovern, vice president; *San Francisco:* Housing Securities, Inc., George W. Patterson, Jr.

CONNECTICUT, *Bridgeport:* Mechanics and Farmers Savings Bank, George W. Clarke.

INDIANA, *Indianapolis:* Smith, Gammon & Jones, Richard Smith.

IOWA, *Des Moines:* Preferred Risk Mutual Insurance Company, N. Robert Barman, Manager, Investment Department; *Sioux City:* First National Bank in Sioux City, N. H. Strifert, cashier; *Waterloo:* Peoples Bank and Trust Company.

MARYLAND, *Bethesda:* General American Life Insurance Company, W. C. Cotton, branch manager.

MISSISSIPPI, *Jackson:* Pringle-Hurd & Co., Inc., Paul C. King.

NEW HAMPSHIRE, *Manchester:* New Hampshire Fire Insurance Company, Lester S. Harvey.

NEW YORK, *Brooklyn:* Cullen and Dykman, Frederick E. Willits; *New York:* FitzGerald, Reed & Bisco, Inc., W. F. FitzGerald.

PENNSYLVANIA, *Bristol:* Delaware Valley Bank and Trust Company, Victor W. Clark; *Philadelphia:* Townsend, Elliott & Munson, Francis J. Carey, Jr.

PERSONNEL

In answering advertisements in this column, address letters to box number shown in care of the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Illinois.

MORTGAGE LOAN MAN

Thoroughly experienced in FHA and VA residential loan work. College graduate 36 years of age. Also familiar with other loan procedure. Have Brokers License. Ralph J. Buck, 707 Aldridge Drive, Kokomo, Ind. (phone GL 7-1991).

MORTGAGE EXECUTIVE AVAILABLE

Mature, personable, intelligent; married, age 35. Fifteen continuous years experience in mortgage banking. Presently operating as executive officer of active mortgage banking firm in New York metropolitan area. Background includes origination, construction, warehousing, processing, closing, servicing and secondary sales. Can operate complete shop including allied activities. Comprehensive history background with impeccable references available. Seeking connection in similar capacity in South or Southwest with reliable and financially responsible mortgage banking concern. Salary $16,000.00 plus incentive. Write Box 382.

MORTGAGE EXECUTIVE AVAILABLE

Do you need all round heavily experienced mortgage man, legal background, personable, energetic, good speaker and mixer? One who can assume full responsibilities? Has always been top man. Presently employed as V. P. in full charge. Seeking change with recognition of ability by commensurate remuneration. Will relocate. Available for interview. Write Box 383.

RUN MORTGAGE OFFICE

College grad BBA 2 years experience in mortgage financing (origination processing closing collecting interim financing on FHA, VA and conventional loans). Age 27. Will relocate. Write Box 384.

MORTGAGE MAN AVAILABLE

Experienced in VA and FHA loan processing, warehousing, collection of accounts and office management. LL.B Degree. Age 44. Will relocate. Write Box 385.

Large, well known Real Estate Firm operating in Greater Baltimore, Maryland is interested in contacting Insurance Company wanting Loan Correspondent. Reference available. Write Box 386.

EXPERIENCED
Mortgage Loan Man

Desires to associate with existing mortgage banker or insurance company or to establish branch mortgage loan office in Columbia, South Carolina. Write Box 380, The Mortgage Banker, 111 W. Washington St., Chicago 2, Ill.